

FINANCIAL TIMES

French elections

How the National Front threatens Juppé

Special report, Page 2

Time Warner

Is it finally turning the corner?

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Cyber-commerce

Industry.Net's collapse shakes optimism

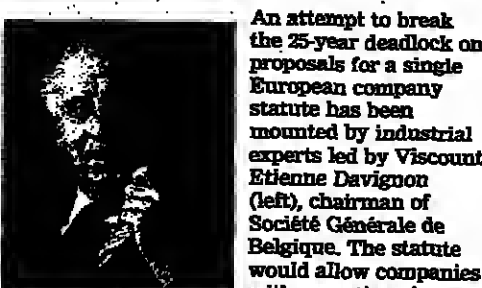
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Today's survey

Czech Industry and Investment

Separate section

Industry leaders seek single law for EU companies



An attempt to break the 25-year deadlock on proposals for a single European company statute has been mounted by industrial experts led by Viscount Etienne Davignon (left), chairman of Société Générale de Belgique. The statute would allow companies with operations in more than one member state to be governed by one law, applicable in all EU countries. At present, businesses have to tailor their operations to comply with up to 15 different sets of company laws which critics say adds huge administrative costs. Page 14; The waiting game, Page 12

Albania in turmoil: Albania was plunged into political turmoil as opposition parties said they would boycott next month's general election over the refusal of President Sali Berisha's Democratic party to modify the controversial election law.

Price cuts hit Deutsche Telekom: Deutsche Telekom's revenues from outgoing international telephone calls fell by almost 20 per cent last year, taking the edge off strong annual results. The company blames price cuts and stiff competition. Page 15; Lex, Page 14; Bidders for Retevisión, Page 18

Eurotunnel told to improve safety: Eurotunnel, which operates the Channel tunnel between England and France, was ordered to tighten safety procedures after an inquiry into the tunnel fire of last November found "fundamental weaknesses" in the company's safety management. Page 9

Bank says UK rates should rise: The newly independent Bank of England warned that UK interest rates would need to rise because domestic spending was growing too quickly to keep inflation under control. Page 9

Costs cut Nintendo profits: Japanese games group Nintendo, which is vying with Sony for market dominance, reported an 8 per cent fall in annual pre-tax profits to ¥109.4bn (\$869.3m) when it was building a hardware base for its new Nintendo 64 games system. Page 15

Novartis buys US business: Swiss drugs company Novartis is buying the crop protection business owned by US drugs company Merck for \$910m. The acquisition gives Novartis a significant US presence in insecticides, fungicides and herbicides. Page 15

ICI seals \$8.5bn loan: Imperial Chemical Industries of the UK negotiated an \$8.5bn loan to finance its acquisition of Unilever's chemicals business, in what will be Europe's largest syndicated loan. Page 22

Gazprom faces reforms: Boris Nemtsov, Russia's reforming first deputy prime minister, is to head a government board to "introduce order" at Gazprom, the giant gas monopoly. Page 14

US spending slows: US consumer spending slowed in April following its explosive growth in the first three months of the year. Retail sales fell by a seasonally adjusted 0.3 per cent last month, the first decline for six months, the Commerce Department reported. Page 4

Bomb explodes in Beijing: At least one person died in a bomb blast in Beijing close to the Great Hall of the People, where China's leaders meet. Chirac to clinch trade deals in China. Page 5

EI AI seeks to stem losses: Directors of EI AI, Israel's loss-making state-owned airline, will consider measures to turn round the company's fortunes following an estimated losses of \$60m last year. Page 6

Israeli ambassador quits: Israel's new ambassador to Jordan resigned after prime minister Benjamin Netanyahu failed to inform him in advance of his meeting last week with King Hussein. Page 6

Owing to transmission difficulties we were unable to update Life financial futures and options on pages 22, 23 and 30 for this edition.

FT.com: the FT web site provides online news, comment and analysis at <http://www.ft.com>

| STOCK MARKET INDICES | | GOLD | |
|-------------------------|-------------------|-------------------------|-------------------|
| New York Stock Exchange | 7,236.05 (+3.30) | New York: Current (May) | \$365.5 (947.7) |
| Dow Jones Ind. Av. | 5,941.75 (+2.43) | London: | \$368.15 (950.09) |
| NASDAQ Composite | 1,541.75 (+1.78) | Close | 368.15 (950.09) |
| Europe and Far East | | | |
| FTSE 100 | 2,719.50 (+26.48) | | |
| DAX | 3,595.15 (+19.78) | | |
| Nikkei | 4,891.00 (+21.4) | | |
| US LONG-TIME RATES | | DOLLAR | |
| Federal Funds | 5.75% | New York: Current | 1.533 |
| 3-mth. Treasury Bill | 5.125% | DM | 1.896 |
| Long Bond | 6.875% | FF | 5.7148 |
| Yield | | SP | 1.43865 |
| OTHER RATES | | Y | 118.775 |
| UK 3-mth. Interbank | 6.5% | London: | |
| UK 10 yr. Govt | 10.125% | E | 1.6319 (1.6248) |
| France 10 yr. Govt | 9.5% | DM | 1.6972 (1.7004) |
| Germany 10 yr. Govt | 10.215% | FF | 5.7194 (5.732) |
| Japan 10 yr. Govt | 10.454% | SP | 1.4387 (1.4359) |
| NORTH SEA OIL (Argus) | | Y | 119.0 (118.69) |
| Brent Blend | \$18.40 (18.44) | DM | 1.6319 (1.6248) |
| Oil | | DM | 1.6972 (1.7004) |

| NORTH SEA OIL (Argus) | | STERLING | |
|-----------------------|-----------------|----------|-----------------|
| Brent Blend | \$18.40 (18.44) | DM | 2.7627 (2.7629) |
| Oil | | | |

Action charges 'deliberate infringement' of microprocessor patents Digital suit challenges Intel

By Louise Kehoe in San Francisco

Intel, the world's largest semiconductor manufacturer, has been accused of "willful and deliberate infringement" of microprocessor patents by Digital Equipment, one of the largest US computer companies.

In a lawsuit, Digital charges that Intel unlawfully used technologies invented and patented by Digital to achieve high performance in its Pentium microprocessors, including the latest Pentium II chips as well as earlier Pentium Pro and Pentium chips.

If successful, the lawsuit could disrupt the worldwide computer industry. Digital is seeking an injunction to pre-

vent Intel using the disputed technology in its products.

These chips are the "brains" of most personal computers sold in the past three years. Intel has an estimated 85 per cent of the world market for PC microprocessors.

Intel said it was "surprised" by the lawsuit, noting that it had close business ties to Digital as both a customer and supplier. "The first we heard of this was via the press release," an Intel official said.

With its lawsuit, filed on Monday in a federal court in Massachusetts, Digital's home state, the company is also seeking unspecified monetary damages as well as asking the court to assess triple damages based on Intel's alleged "willful" misuse of its technology.

The monetary award could be "huge", said Mr Robert Palmer, Digital chairman and chief executive. Intel's profits in fiscal 1996 were more than \$500, and this could be a starting point in arriving at damages, he said.

Intel's net income for the past three years was more than \$1.1bn. Digital, in contrast, struggled to make a profit, recording losses in fiscal 1996 and 1994 with meagre profits in 1995.

The decision to file suit against Intel had not been taken lightly, Mr Palmer said. He said Digital was "fully prepared to take on the case" at whatever cost.

Digital's problems were linked to its slow response in the 1980s to rapid technology

changes. A pioneer in the era of minicomputers, Digital had struggled since.

In particular, its flagship Alpha microprocessors, used in high-performance workstations and servers, have not achieved the success the company had hoped.

Over the past nine months, Digital had become increasingly suspicious that Intel was using its patented technology to enhance the performance of Pentium microprocessors, Mr Palmer said. Having examined the Intel chips, Digital found "substantial similarities" to Alpha microprocessors.

Ten patents filed between 1988 and 1996 and covering aspects of high-performance microprocessor design have been infringed, Digital alleges.

The patents at issue in the Digital lawsuit cover ways in which data is stored in a "cache memory", or fast memory device, "pipelining" and other techniques used to accelerate the processing of data in a microprocessor.

These are design elements of "Reduced Instruction Set Computing" (RISC) devices, which Digital helped to pioneer. In the early 1980s, RISC microprocessors were expected to supplant Intel's designs, which used more complex instructions, but Intel has successfully blended elements of both types of architecture in its Pentium chips.

Intel's shares declined on news of the lawsuit to \$155.4, down from Monday's \$159.4. Digital was up 1% at \$34.4.

Boeing warns of trade war if EU opposes merger

By Michael Stapleton in London and Emma Tucker in Brussels

Boeing yesterday warned the European Commission that it risked provoking a transatlantic trade war if it tried to block the US group's proposed merger with McDonnell Douglas.

Boeing said that if the US Federal Trade Commission approved the merger and the Commission attempted to impede it, "we could have problems" between Washington and Brussels.

Boeing is concerned the Commission might impose a fine on the merged group of 10 per cent of its revenues. Boeing and McDonnell Douglas, whose merger would create the world's biggest aerospace and defence group, expect to have combined revenues of \$48bn.

The Seattle-based aircraft maker was responding to statements by Mr Karel Van Miert, EU competition commissioner, who has described the proposed merger as "extremely problematic" and has insisted that Brussels has the right to stop it.

Mr Van Miert has also described as "out of the question" the decision by American Airlines and Delta Air Lines of the US to appoint Boeing as their exclusive aircraft supplier for 20 years.

Boeing said that while it had responded to all Mr Van Miert's requests for information, it reserved its right to challenge the Commission's jurisdiction over the proposed merger. It said it rejected the idea that the Commission had jurisdiction over the exclusive aircraft supply deals between US companies.

The Commission is expected to set out its objections to the proposed merger over the next 10 days. But Boeing said Mr Van Miert's statements suggested he might have prejudged the issue.

Boeing pointed to the political support it had received from Mr Al Gore, US vice-president, who told a Seattle newspaper this month that the administration would take "whatever action is appropriate" to prevent the EU from impeding the merger. A bipartisan group of seven US Senators has also written to President Bill Clinton accusing the EU of prejudging the merger.

Mr Van Miert yesterday rejected the Senators' accusation. He insisted that the Commission's investigation - now in its third month - was being conducted strictly along the legal lines and criteria of the EU's merger regulation.

He said: "Our analysis is based on facts and figures, not on so-called 'political issues'. The Commission examines this file strictly on its own merits."



General John Shalikashvili, front right, chairman of the US joint chiefs of staff, is offered directions by his opposite number in the Chinese People's Liberation Army, General Fu Quanyou, left, during a welcoming ceremony at Beijing's military museum at the start of a four-day visit to China. Picture: Reuters

Norway may invest half its oil fund on stock markets

By Michael Morgan in London and Hilary Barnes in Copenhagen

Norway, the world's largest oil exporter after Saudi Arabia, is proposing to invest up to 50 per cent of its State Petroleum Fund on foreign stock exchanges from the start of next year.

The fund, administered by the central bank, in effect acts as a national piggy-bank for budget surpluses generated by Norway's oil revenues. It currently invests only in low-risk, foreign government securities.

The finance ministry says that by 2002 the fund could grow to about Nkr425bn (\$59.7bn), or 30 per cent of gross domestic product, from today's level of Nkr50bn.

Mr Jens Stoltenberg, the finance minister, said yesterday that in the long term investments in equities gave higher returns than government securities. Diversification into stocks would also

reduce the fund's risk exposure. The ministry's preliminary assessment is that equities should account for between 30 and 50 per cent of investments.

Mr Stoltenberg said that investments would be made through large and long-established exchanges such as London, New York, Paris, Copenhagen and Stockholm.

The portfolio would include large blue chips and smaller stocks, with the purchases channelled through a number of brokers, which would be measured against one another.

Authority for the investment will be issued in guidelines to the fund, to be published in the autumn for implementation from January 1 1998, provided the Storting, the parliament, does not object.

Last year Norwegian oil and gas output totalled 222m cubic metres oil equivalents and is expected to peak at about 292m cubic metres in 2001, before gradually falling over the fol-

lowing five or six decades.

Government revenue from taxes and royalties on oil and gas production, and from state oil company profits, will generate a Nkr59.7bn central government budget surplus in 1997, while the general government surplus (on the Maastricht definition) is expected to reach 6.5 per cent of GDP.

The petroleum fund was established in 1990 to act as a buffer for Norwegian economic policy, and to underwrite the country's pension payments.

In London fund managers said the finance ministry had appointed investment consultants to advise on which asset managers to employ to invest the funds.

The consultants are currently drawing up benchmarks ahead of conducting European-wide fund management beauty parades later this year. "Every fund manager in London and Amsterdam is chasing this one," a senior asset manager said yesterday.

'War plan' to stifle European currency speculation

By Lionel Barber in Brussels

Luxembourg, due to hold the next EU presidency, is preparing a "war-plan" to head off speculative attacks in the financial markets that could threaten economic and monetary union.

Under the plan, one option would be for EU leaders to agree bilateral conversion rates for currencies in the future euro bloc later this year, well in advance of the planned launch of the euro on January 1 1999.

Alternatively, EU leaders would announce conversion rates immediately after deciding in May 1998 which countries had met the Maastricht treaty targets to enter Euro.

The first option would in effect pre-empt the political decision on which countries qualify for Euro in the interests of market stability.

It is being discussed among EU central bank governors, worried that the recent calm in the markets could end abruptly as traders start to guess which countries qualify.

Another concern is that external factors such as a slide in the dollar, victory by the opposition Socialist party in France's parliamentary elections this month, or renewed jitters about a shortfall in German tax revenues, could provoke renewed currency volatility.

Mr Jean-Claude Juncker, Luxembourg's prime minister, said in an interview with the FT that the EU had failed to respond to the "catastrophe" in 1992-93 when speculation against European currencies led to the break-up of the old Exchange Rate Mechanism.

"I don't want the markets stopping Euro at the last minute," said Mr Juncker. A senior Grand Duchy official agreed: "We are not going to have a St Bartholomew's Day massacre."

Luxembourg is due to take over the six-month-long rotating EU presidency from the

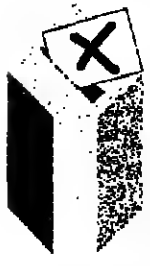
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NEWS: THE FRENCH ELECTION

Parties battle to rouse voters from apathy



FRENCH ELECTIONS

The stakes in the French parliamentary elections are high, because the outcome could settle the fate of Europe's single currency project. But to many French as well as outsiders, the course of this campaign for the two rounds of voting - on May 25 and June 1 - threatens to be even more confused than usual.

For a start, snap elections are not in the tradition of the Fifth Republic, and some voters still seem baffled as to why President Jacques Chirac chose to dissolve the National Assembly last month, 11 months before the end of its five-year term.

In addition, May in France is riddled with holidays, which does not guarantee high voter interest or turnout.



Speculation is mounting that even if the centre-right wins Jacques Chirac (right) may replace Alain Juppé

To make things even more confusing, a record 6,242 candidates are competing for the 577 seats in the National Assembly. In some cases their reasons for running are more related to getting public campaign finance than to

political commitment. Among the candidates, women are better represented on the left, the old on the right. Ten incumbents defending their seats are over 75 - seven of them Gaullist, which is the only party that tried in vain to impose an age limit.

Yet, the early mixture of confusion and apathy is giving way to excitement. This is because seesawing opinion polls have shown the left catching up, even overtaking, but then falling behind the right in terms of voting intentions, though still well behind in the projected number of seats they may win.

The discrepancy between voter support and the number of seats attainable relates to the complex two-round voting system.

Many compete in the first round, but few are chosen to go on to the second round. A candidate can win on the first round by getting 50 per cent or more of the vote. Few do.

The last election in 1988 was a landslide for the centre-right, but even so it won only 80 seats on the first round; the left won none.

So in this much closer election, no more than a couple of dozen seats are likely to be settled on May 25.

David Buchan shows the way through the French electoral maze and sets out challenges facing the left and right

But the first round will show the *rapprochement* - or relative voting strength - of the various parties.

Any candidate winning 12.5 per cent of the registered vote can go on to the second round. If only one person so qualifies, the next highest scorer joins him or her in the second round runoff.

Generally, the first round is a primary to choose the

best performing candidates on the left and right to do final battle in the second round, with unsuccessful candidates throwing their support to the standard-bearer of their camp.

But many voters go astray or abstain in the second

round. This is much less of a problem for the government coalition of the Gaullist RPR and centre-right UDF. They have a common platform and are presenting joint candidates in the first round everywhere, except in some 40 constituencies where no incumbent exists and party dissidents do.

By contrast, the Socialists and Communists are competing separately in the first

round, except in five constituencies where they have united to block the far-right National Front (NF).

In fact, the centre-right has more to fear from the NF. The latter's candidates will fight on wherever they cross the 12.5 per cent threshold. They may not win only one Marseille seat seems sure for the Front - but they can cause others to lose, particularly by splitting the rightwing vote and handing victory to the left.

Calculating all these factors in order to translate first voting intentions into second round seats is akin to witchcraft.

The pollsters' job is made harder by the splintering of France's ecology movement. Apart from the Greens (Verte), now formally allied to the Socialists, the behaviour of the Independent Green Movement (MEI) and Génération Ecologie in the second round is impossible to predict. More than 1,000 candidates are ecologists in various guises.

They, in particular, are using - or abusing - the fact that French elections are now almost wholly funded out of the state exchequer, as a result of a 1994 ban on corporate contributions.

Half the funding is tied to the number of parliamentary seats a party gets, but the other half goes to parties fielding at least 50 candidates, with payment in proportion to votes.

The brevity of this snap election should keep down costs, which are reduced anyway by the requirement that TV and radio provide balanced coverage and free advertising slots.

In theory, campaign posters are also banned, except on special panels outside public buildings. In the constituency of Mr Jean Tiberi, the scandal-prone Gaullist mayor of Paris, the panels are impressive.

No fewer than 28 candidates are hoping to topple him, and their poster panels, side-by-side, stretch 48 metres.

THE LEFT

Socialists struggle to maintain balance

The left faces a tricky task in the French parliamentary elections. The key to a left victory is whether its largest component, the Socialist party (PS), can regain much of the centre ground it lost in 1993 - while keeping its alliance with the Communists (PCF) and the smaller Mouvement des Citoyens (MDC) and the Greens.

This task has become harder as the campaign has gone on.

Early on, the PS was the one party to see a definite rise in its opinion poll rating, though this trend may have turned now.

Glimpsing possible victory, the PS grew bolder towards those to the left of it, and more conciliatory towards centrist voters.

Any poll gains by the PS have not, however, been enough for it to dare to jeopardise the alliance with the PCF. The latter grew grumpier, as it failed to follow the PS up in the polls.

Some Communists complain the PS-PCF alliance is just working to the Socialists' advantage.

Formally, the PS-PCF alliance just takes the form of:

■ A joint declaration recording their general agreement on many economic and social points, as well as their "well known divergences" on other issues, such as Europe;

■ Joint candidates in the first round in only five seats (considered at risk to the National Front);

■ A solid tradition of pooling votes in the second round.

But their separate programmes share many similarities.

Both favour a change in macro-economic policy to boost demand, though the PS would do this through an annual "national conference on salaries" while the PCF wants to raise the minimum wage of just over FF6,000 (\$1,050/\$640) a month by FF1,000.

On taxes, they share the same general desire to increase the wealth tax, lower value-added tax and extend taxes on financial income and savings.

Both pledge to create 700,000 jobs for young people over two years -

half in the public sector, half in the private.

The PS suggests the new public sector jobs would take the form of temporary work schemes for the young, which it stresses could be paid for entirely through "simplifying and re-orienting" existing job subsidies.

The PCF appears to aim at actually increasing the civil service and seems unbothered about the budgetary impact.

The PS and PCF both demand a cut in the standard working week from 39 to 35 hours without any reduction in pay.

This would boost hourly wages, and thus demand, while obliging companies to create many new job slots.

But, as on the size of the civil service, the two parties diverge slightly on the scale of the state sector.

The PS says existing public utilities should stay in state hands, and is pledged, if it wins, to abandon the France Télécom privatisation planned for next month.

It is not proposing to renationalise anything sold off since 1993, nor really is the PCF.

However, some moderate Socialists have suggested during the campaign that the public sector should "evolve" and that they would take a "pragmatic" view about privatising state companies which do not provide basic public services, and which are "in competition with" private companies.

Repealing the immigration laws passed by the Balladur and Juppé governments since 1993 is a demand on which the PS and PCF readily agree, though only the PS makes a point of claiming it would find other, fairer ways of cracking down on illegal immigration.

Europe is by far the most divisive issue on the left.

The PS remains broadly committed to the Maastricht treaty on economic and monetary union, which President Mitterrand signed but which has been anathema to the PCF.

The two parties have shifted somewhat in recent months. The

PS now says the move to the planned single European currency - the euro - should include Italy and Spain. It says growth and jobs should be promoted, the euro should not be over-valued against the dollar and governments should be given some influence over the planned European Central Bank.

Some Communists, for their part, say now that Europe could have a "common" currency circulating in parallel with national monies.

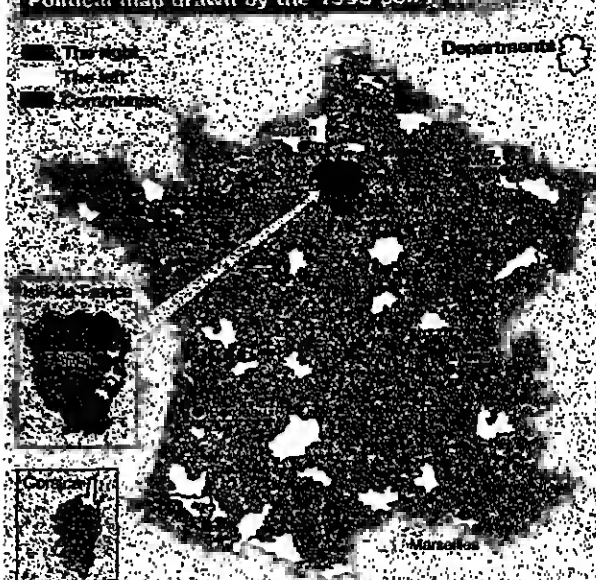
But, in the end, the PS is for the euro and the PCF is against it - as indeed is the small MDC party which split from the Socialists after Maastricht.

Goaded on this point by the right, Mr Lionel Jospin, the PS leader, made clear his line would prevail in any leftwing government because the PS would be "a far bigger contingent than the PCF" in the National Assembly.

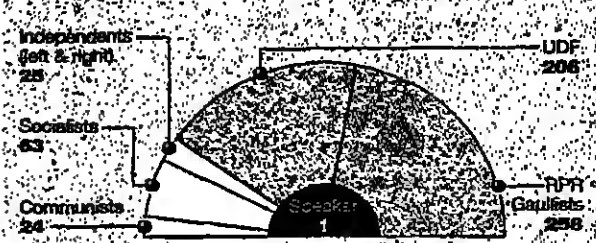
This drew an angry retort from Mr Robert Hue, the Communist leader, about the PS trying to assert "hegemony" over its partners.

French elections: a long way back for the left

Political map drawn by the 1993 poll



French National Assembly: 577 seats



Opinion polls

Voting intentions for May 25 first round (%)

| | 2-3 May | 30 Apr-3 May | 5 May | 12 May | 19 May | 26 May |
|------------------|---------|--------------|-------|--------|--------|--------|
| Left | 42.0 | 38.5 | 40.0 | 39.5 | 38.5 | 38.5 |
| Right | 38.0 | 40.0 | 38.0 | 38.0 | 41.0 | 41.0 |
| Balance for left | +4.0 | -1.5 | +1.0 | +1.5 | -2.5 | -2.5 |

Projected seats

| | 262 | 260 | 261 | 266 | 193-227 |
|-----------------|-----|-----|-----|-----|----------|
| Left | 262 | 260 | 261 | 266 | 193-227 |
| Right | 291 | 294 | 302 | 290 | 328-358 |
| Margin for left | -29 | -34 | -41 | -24 | -101-165 |

N.B. Polling continued to represent France 60% out of 577 National Assembly seats, but space and time and projections include overseas constituencies.

Source: La Monda, FT

Le Pen fires at right

Mr Jean-Marie Le Pen is shooting more to right than left these days. The leader of the far-right National Front said yesterday he would prefer the left to win because "this would paralyse Mr Chirac to his project of dissolving France into the Europe of Maastricht... and refuse him the blank cheque he is seeking for five years to aggravate the policies already in place".

This is not necessarily the view of many rank and file NF members, who do not share the animosity between Mr Le Pen and Mr Chirac. But it reflects the gradual change over the years to the NF, which, though always anti-immigrant, has progressively abandoned free market policies for economic protectionism. This has helped the NF steadily increase its share of the working class vote, often from the left.

The NF is pledged to reimpose frontier controls and scrap Maastricht. It would scrap income and inheritance taxes freeze public spending, and axe the civil service.

THE RIGHT

Coalition prepares for losses - but any majority would do

After its thundering victory in 1993, France's centre-right coalition has always expected to lose seats in this parliamentary election.

But President Jacques Chirac calculated that the losses would be less now than if he let parliament run its full term to next March.

In the last election, the centre-right's triumph was so great that it captured 80 per cent of the National Assembly.

Now, a smaller majority would be a relief for Mr Alain Juppé, the prime minister, as it would stop backbiting from backbenchers and give him the parliamentary cohesion he has lacked. But the polls are far too close for the centre-right's comfort.

Mr Juppé is unpopular in the country. This is now the main tension within the ruling coalition, replacing earlier divisions arising from the Gaullist civil war over whether Mr Chirac or Mr Edouard Balladur, the former prime minister, should be president in 1995.

There is a possibility that, if the centre-right is returned to power, Mr Chirac might name another premier or that Mr Juppé himself might throw in the towel.

What may help the right maximise its representation is that the coalition between the Gaullist Rassemblement pour la République (RPR)

and the centre-right Union pour la Démocratie Française (UDF) is tighter than the alliance between their leftwing opponents.

This is partly because there is an ideological overlap between the RPR and UDF.

The RPR is the more cohesive, though it draws support from all classes. Its foreign policy views remain tinged with General de Gaulle's nationalism, which sometimes still flares up on European issues, such as agriculture, dear to RPR hearts.

The majority of the party has only recently accepted the need for economic liberalism and a smaller role and size for the state.

But within the RPR, the following around Mr Balladur has developed similar ideas to the UDF.

The UDF is less of a well oiled party machine, because it is not really a party - though it has a small number of direct members - but a federation of parties.

These range from centrists in Force Démocrate (some of whom could in other circumstances accept the moderate socialism of Mr Jacques Delors, the former European Commission president) to free-marketisers and straight conservatives in the Republican party.

The common thread uniting the UDF is a belief in Europe and a conviction that

French regions should be more autonomous from Paris.

The RPR and UDF had little difficulty in putting together a manifesto, perhaps because they agreed to gloss over their government record over the past four years in one sentence: "Since 1993, the [centre-right] majority has put the country back on its feet."

For the future, the RPR and UDF pledge to keep undoing their 1995 tax increases with further fiscal reductions, as the main way of reducing unemployment and unleashing private enterprise.

Reversing the left's priority, they are more focused on cutting income tax than value-added tax. To make this possible, they promise not to let public spending rise faster than inflation.

This would mean a slight relaxation from 1997-98, when Mr Juppé has ordered zero expenditure growth even in current franc terms.

They would continue to sell off state companies, but not public services or utilities, except France Télécom. If re-elected, they plan to put 30-35 per cent of France Télécom's shares on the market next month.

The RPR and UDF endorse the planned European single currency, the euro, and most of the RPR now mean it. They have come to join the

UDF in backing economic and monetary union, partly because they went through their internal argument over the single currency at the time of the 1992 referendum on the Maastricht treaty, which set out terms for European Union member states to join in a single currency.

But some Gaullists of consequence, in particular Mr Philippe Séguin, president of the last National Assembly, still privately regard the euro as folly.

Mr Séguin's name always comes up as a possible successor to Mr Juppé. Many in the RPR would rally warmly to him, but few in the UDF - and almost none in the financial markets - would.

Mr Séguin is moving very cautiously, but those around him less so.

One of Mr Juppé's ministers welcomed Mr Séguin to a rally last weekend by asking the audience to applaud "the president of the National Assembly or - why not? - prime minister". The minister later backtracked in a formal statement.

By contrast, Balladurian backbenchers - once bitter critics of Mr Juppé - have been impeccable in their support of the prime minister.

Two of them, Mr François Léotard, the UDF president, and Mr Nicolas Sarkozy, are likely to be part of the next government if the centre-right wins.

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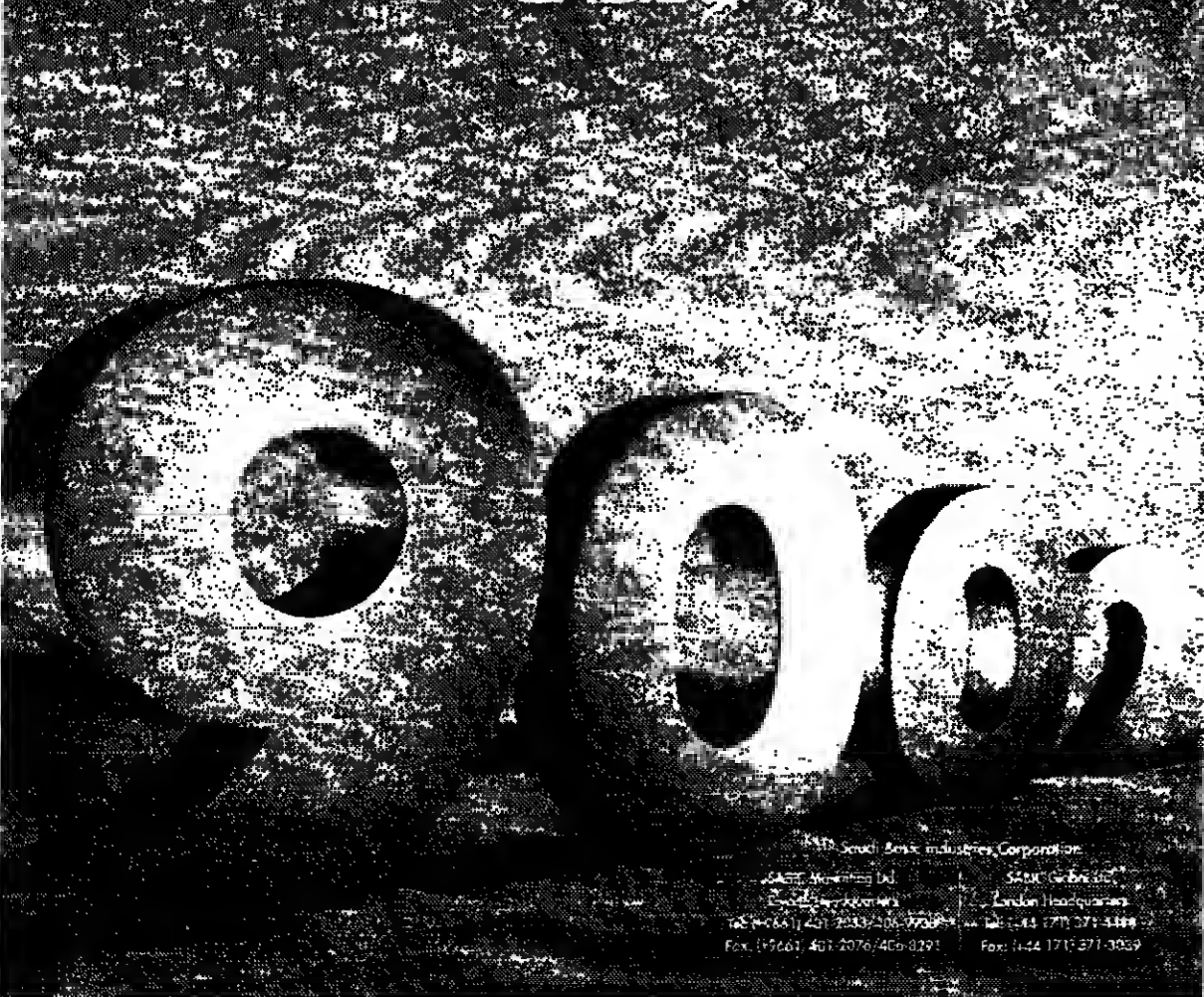
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NEWS: EUROPE

EUROPEAN NEWS DIGEST

Sale for Polish telecoms stake

The Polish government has approved plans to sell up to 25 per cent of Telekomunikacja Polska (TP), the state-owned telecoms operator, in a public offer next year which would start a step-by-step privatisation of one of the country's largest companies.

The decision to go ahead with the disposal of TP, which employs 75,000 people and reported an \$41m (280m) net profit last year, would now be implemented, Mr Andrzej Zieliński, the telecommunications minister, said yesterday. The company's employees would be given 15 per cent of the equity but the state would retain control of the company initially.

The government's next step will be to open a tender for an adviser for the offer which would be aimed at retail investors and institutions at home and institutional investors abroad. Its decision leaves open the issue of how much of the initial offer is to be offered to local investors and how much to foreigners. *Chris Robinson, Warsaw*

Blow to Milosevic hopes

Serbian President Slobodan Milosevic has suffered a further blow to his political ambitions from a unanimous decision by Montenegro's ruling Socialist party to restore the prime minister, Mr Milo Djukanovic, as vice president of the party, a post from which he was removed under Serbian pressure in March.

The regained power of Mr Djukanovic, an arch-critic of Mr Milosevic, severely damages the Serbian president's chances of gaining a new power base as president of Yugoslavia when his second term as president of Serbia expires later this year. He needs Montenegrin support if he is to win the presidency of Yugoslavia, a federal union between Serbia and Montenegro.

The Yugoslav presidency is mainly ceremonial at present, but Mr Milosevic planned to change the constitution and transfer real power to himself by reducing the powers of the Serbian and Montenegrin governments. *Anthony Robinson, London, and agencies*

Sugar company faces fine

The European Commission is expected to fine Irish Sugar, a subsidiary of Greenore Group, today for abusing its dominant position in Ireland for more than 10 years.

The Commission was acting on several complaints from small sugar producers about Irish Sugar's behaviour, including refusal to sell and heavy discounts aimed at eliminating competitors, Commission officials said.

The spokesman for the competition commissioner, Mr Karel Van Miert, confirmed a company would get a "nice fine" today for bad behaviour in the past, but declined to name it or give the size of the penalty. *Reuters, Brussels*

Yeltsin outvoted on Nazi art

Russia's upper house of parliament has overridden a presidential veto and approved a law allowing Russia to keep art seized from Nazi Germany at the end of the second world war. Mr Mikhail Shvydko, deputy cultural minister, said about 140 members - well over the required two thirds of the Federation Council - had voted to override President Boris Yeltsin's objections.

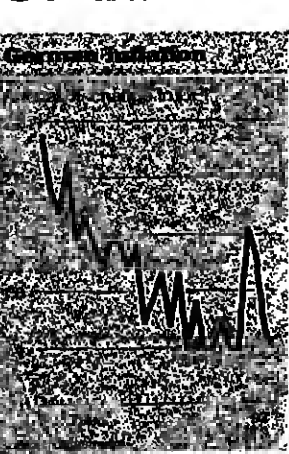
He said the president would exercise his right of appeal to the Constitutional Court.

Mr Yeltsin had argued that the bill contradicted international law and would reduce Russia's chances of getting back its own art treasures seized during the war. Parliament's communist-dominated lower house voted in early April to override the veto.

The bill introduces a complex procedure for the return of any trophy art, requiring a formal request by a foreign government and approval by the Russian parliament. As a result, it would be extremely unlikely that any art would be returned. *Reuters and AP, Moscow*

ECONOMIC WATCH

German inflation falling



Germany's inflation rate continued its downward trend in April, figures from the federal statistics office confirmed yesterday. Consumer prices were 1.4 per cent higher than the same month a year before. That compared with an annual inflation rate of 1.5 per cent in March.

Inflation had accelerated at the beginning of the year after an exceptionally severe winter pushed many prices sharply higher. Inflation may begin to rise again over the next few months as the recent weakness of the D-Mark exerts upward pressure. In the longer term, price pressures will mount as the expected pick-up in economic activity gains momentum.

In the past 12 months, energy and housing costs have seen particularly steep price increases, but rises in the cost of food, drink and furniture have been relatively modest. Between March and April the consumer price index was flat.

French consumer prices were unchanged to 0.1 per cent higher in April compared with March, according to provisional figures from the statistics office insee.

Italian producer prices in March were up 0.3 per cent from February and rose 0.9 per cent year-on-year, the statistics bureau Istat said.

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Yeltsin presses Russia's case on Nato

By John Thornhill in Moscow

Mr Boris Yeltsin, Russia's president, yesterday tried to give renewed impetus to the stalled talks over Nato's enlargement plans by phoning Mr Tony Blair, the recently elected British prime minister, to attempt to win a new convert to his country's cause.

But as Mr Javier Solana, Nato's secretary-general, arrived in Moscow last night for the sixth round of Russian-Nato talks, Mr Yeltsin adopted a sterner face by instructing his foreign minister to pursue a tough line to defend his country's strategic interests.

Diplomats in Moscow said the Russians still had serious objections to some of the military implications of Nato's planned enlargement.

Moscow is pressing Nato to refrain from building the infrastructure to store nuclear weapons on the territory of potential new member states - even though the alliance has already pledged not to deploy nuclear weapons in forward positions.

The Interfax news agency added that Mr Yevgeny Primakov, Russia's foreign minister, would also press for greater revisions of an agreement governing the deployment of ground troops in Europe.

Nato has conceded it is prepared to renegotiate the terms of the Conventional Forces in Europe treaty limiting the forward stationing of forces.

Mr Primakov yesterday again repeated calls for the Organisation for Security and Co-operation in Europe to play a greater role in security issues, given it was a "more universal and multinational organisation".

Some diplomats suggested Moscow was attempting to spin out the negotiating procedure in order to persuade nationalists it was not selling Russia's interests short but had agreed most of the principles of a new security agreement.

A declaration by a group of security experts published in the Nezavisimaya Gazeta newspaper yesterday urged Mr Primakov to walk away from a deal if it was not in Russia's interests.

"Though steps have been taken in the right direction in the last few months and the Russian president and foreign minister have obtained movement from the western side, too much remains in the zone of uncertainty," it said.

Despite the diplomatic wrangling, both sides still appear hopeful that a compromise deal can be struck enabling Mr Yeltsin to sign a Russian-Nato agreement at an international security meeting in Paris on May 27.

Nato has made it clear it would be prepared to pursue its enlargement plans in the face of Russia's objections, though it would clearly prefer to reach an agreement.

A summit of the western alliance in Madrid in July will formally invite new members to begin admission talks. Poland, Hungary and the Czech republic now seem certain to be admitted, but it seems likely that other applicants, such as Romania and Slovenia, will have to wait for the second phase of expansion.

Mr Yeltsin, who last week declared a deal with Nato was 95 per cent complete, also discussed security issues yesterday with Mr Helmut Kohl, the German chancellor, following a conversation with Mr Jacques Chirac, the French president, the previous day.

German private banks reject arbitration plan

By Andrew Fisher in Düsseldorf

Germany's private sector banks have rejected a compromise attempt by the Bonn government to solve their long-running dispute with public sector banks over alleged unfair competition.

The German banking association, representing private sector banks, had formally turned down a government proposal that the matter be settled by an arbitration panel. Mr Wolfgang Arnold, its deputy general manager, said yesterday, "This is another attempt to delay the matter," he added.

His comment followed a statement by Mr Friedel Neuber, chairman of Westdeutsche Landesbank - the main public sector bank involved - that he would accept arbitration. He said the government had made this proposal to try and ensure the matter was dealt with at national level and not by the European Commission in Brussels.

The row concerns a complaint by the private banks to the Commission over the terms on which WestLB and five other public banks received capital injections in the form of housing development funds. The private banks say the interest rates were below capital market levels and were thus a distortion of competition.

Mr Neuber said yesterday at the bank's annual press conference that this claim was based on erroneous calculation methods which understated the rate paid by WestLB for DM44m (\$2.3bn) of funds from a state-owned house-building promotion institute in 1992.

The private sector banks are still insisting that the matter be dealt with in Brussels and are pressing for the Commission to open an inquiry. The association, whose members include Deutsche Bank, Dresdner Bank and Commerzbank, has said it is no longer available for national talks to reach a compromise and is impatient with the delay in settling the matter.

Mr Neuber repeated his support of Mr Horst Köhler, president of the German Savings Banks and Giro Association and a former aide to Chancellor Helmut Kohl, who has contrasted the savings banks' support for European monetary union with attempts to question their role in the German banking structure.

"We are keen protagonists of the euro," Mr Neuber said of WestLB and the public sector banks, which are linked closely to the savings banks.

But it was a "paradox" to expect savings banks to persuade their customers to welcome the euro when they themselves were under threat.

WestLB results, Page 19

Jospin in warning on social security deficit

By Andrew Jack in Paris

The French Socialist party yesterday tried to stress its managerial competence by warning of the threat posed to the country by social security deficits accumulated under the ruling centre-right RPR-UDF coalition.

Mr Lionel Jospin, leader of the Socialist party, said the current deficit - which he claimed ran to FF100bn (\$17bn) - was an indictment of the policies of Mr Alain Juppé, the prime minister.

Meanwhile, continuing a style first adopted by President Jacques Chirac last week, Mr Henri Emmanuelli, a senior Socialist party official, resorted to a written communiqué to suggest that there were strong splits within the coalition on Europe and that it might threaten the national minimum wage.

In a written reply, Mr Jean-François Copé, the RPR's spokesman, stressed that his grouping respected the Maastricht treaty "and nothing but the treaty" for monetary union, while arguing that there were far broader divisions on the subject within the Socialist party, and with the Communist party.

He also dismissed as a "lie" any suggestion that the government if re-elected would abolish the minimum wage, and lashed back at Mr Emmanuelli as a member of a Socialist administration during the 1980s which was a "champion of deficits of all kinds".

The exchanges came as a new opinion poll suggested a consolidation in support for the centre-right ahead of voting in the first round of the elections, due at the end of next week.

A poll for Paris Match showed over the last month a 5 per cent rise in the popularity of both Mr Chirac and Mr Juppé, with the proportion of those expressing positive opinions rising to 35 and 30 per cent respectively.

A separate poll for Le Monde newspaper and the NRJ radio station published yesterday suggested that the RPR-UDF coalition had consolidated its lead with 39.5 per cent of the vote, against 28.5 per cent for the Socialists, and 9.5 per cent for the Communists.

However, in a further indication of the lacklustre nature of the election campaign, the poll showed low interest in the race: just 60.5 per cent of those aged 25-49 were certain they would vote on polling day.

Yesterday's campaigning came against a backdrop of growing threats of industrial action. Three rail unions warned of strikes this week among ticket controllers, and two associations of flight attendants working at Air France and its domestic carrier said they planned to stop work at the end of this week.

Unions girded for Italy pension fight

By Robert Graham in Rome

Italy's powerful trades unions have taken a tough stand at the outset of key talks on cutting generous pension rights and reforming the welfare system.

In the first meeting yesterday between Mr Romano Prodi's centre-left government and the leaders of the three main trades union confederations, little progress was made. The unions refused to discuss any shake-up in pensions and welfare until the government had agreed its three-year macro-economic programme.

This is unlikely to be ready before the weekend. The macro-economic document, drawn up on a rolling basis each year, will indicate the targets for growth and the budget deficit. The document will reveal what kind of structural cuts in social spending the government is likely to be aiming for.

The treasury is anxious to give a strong signal to Brussels by aiming for a 1998 budget deficit equivalent to 2.5 per cent of gross domestic product. The government believes it would then demonstrate Italy's commitment to a "sustainable" deficit, giving greater credibility to its demands to be included in the first wave of the single currency.

At present the trend in spending and receipts indicates Italy will run a 1998 deficit of 3.8 per cent. To meet such an ambitious target against a backdrop of continued low growth, Italy may have to find as much as L30,000bn (\$17.8bn) in spending cuts and fiscal measures, officials say.

This is bigger than previously thought and may not be backed by the full cabinet.

Given the harsh comments issued by the European Commission on Monday about Italy's need to introduce structural measures in its 1998 budget to bring the deficit to less than 3 per cent of GDP, the pressure has increased on the government to attack pension rights.

However, union leaders are determined to avoid being steam-rollered into making concessions, and without their support the government will have hard time pushing through reforms. Protests by the unions in 1994 against pension reform helped bring down the Berlusconi government.

The unions have indicated they will refuse to commit themselves until they obtain convincing assurances from Mr Prodi that all the parties backing his government endorse a common policy on these issues.

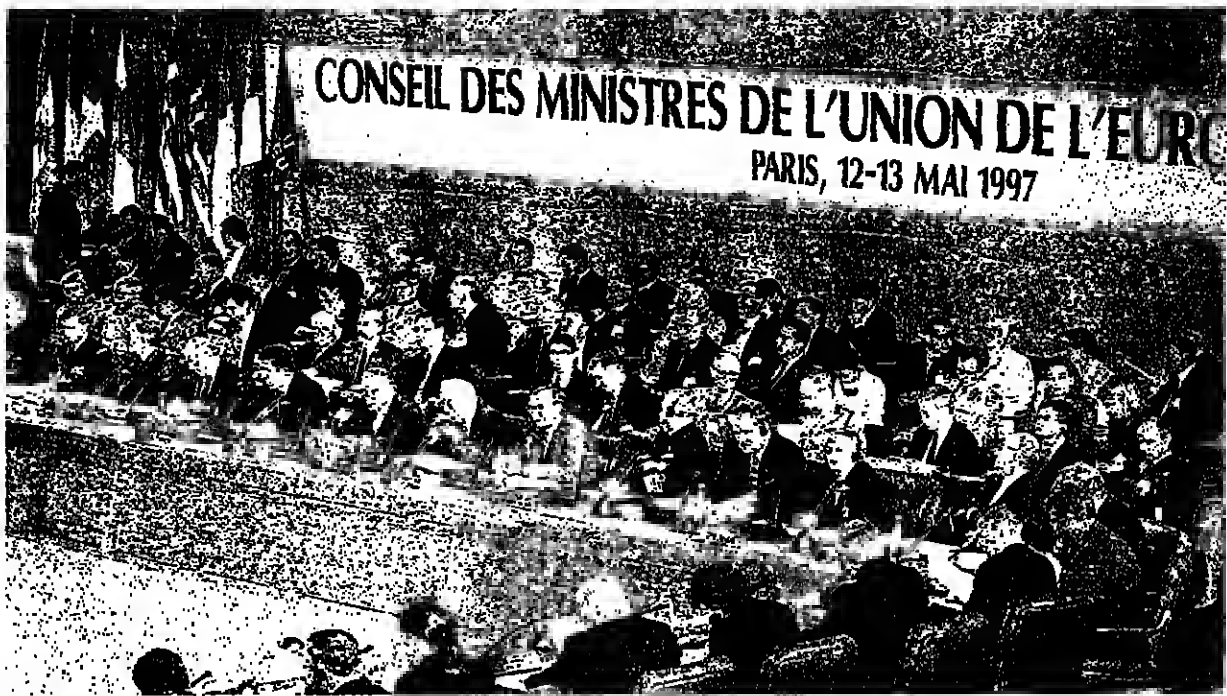
The hard-liners in Reconstructed Communism (RC), whose parliamentary support is vital to the centre-left coalition, have until now refused to contemplate any changes in the pension system, reformed in 1995 and by law not due for revision until 1998.

Pensions account for 60 per cent of all social spending, the total of which is equal to just under 24 per cent of GDP. A government-sponsored report earlier this year showed significant savings could be made if the retirement age were raised, early retirement pensions phased out, the period of introducing the 1995 reforms accelerated, and schemes for public and private-sector employees harmonised.

The report also highlighted the need for better management of the health service and for more funds to be devoted to areas of welfare at present ignored, such as unemployment benefit and help for unmarried mothers and ageing single people.

The unions concede some pension privileges should be ended but argue the savings should not go to the treasury. Instead, they say the funds released should be used to provide a better balance in welfare spending.

To back their argument, the unions point out that the 23-24 per cent of GDP which goes on social spending is well within the EU norm.



Jaw, jaw: European foreign and defence ministers opening a debate in Paris on security affairs

UK eases EU military stance

By David Buchan in Paris

Britain's new Labour government said yesterday it could accept reference in a new European Union treaty to the need for military operations for humanitarian and peace-keeping purposes, provided such operations were planned elsewhere.

This marks a slight advance on the position of the preceding Tory government which was hostile to any hint of a military-related role for the EU.

Mr Robin Cook, the new UK foreign secretary, said that London would not, in the new EU treaty to be negotiated at Amsterdam next month, object to a reference to humanitarian and peace-keeping military operations, planned and conducted by the Western European Union.

But, speaking to yesterday's WEU ministerial meeting in Paris, Mr Cook ruled out the idea of eventually merging the WEU into the EU, as France and Germany want. "We do not see the EU as being a defence organisation - this would undermine Nato and create complications for EU and Nato members", he went on to stress that co-operation in defence should continue to be on the basis of consensus between governments.

Reflecting UK reservations, WEU ministers left the timetable for the defence organisation's rapprochement with the EU open-ended. Their communiqué talked of "building up the WEU in stages as the defence commitment of the Union", in language that only echoed that in the 1993 Maastricht treaty. French and German ministers expressed disappointment at Mr Cook's insistence on keeping the WEU and EU apart, but said they were not surprised.

However, the WEU took one step further yesterday by deciding to step up a standing military committee, composed of chiefs of staff of the 10 member countries under a permanent chair-

man. The WEU has deliberately chosen a committee with the same name and structure as in Nato.

Earlier, Mr Cook took the opportunity at a meeting of the United Nations Educational, Scientific and Cultural Organisation (Unesco) to announce his government's decision to return to the organisation. Complaining of waste and corruption at Unesco, the UK government quit Unesco in 1965. It will shortly rejoin and start paying its subscription that amounts to £11m (\$17.8m) a year.

"This is of our effort to end the isolation of the UK in international affairs," said Mr Cook.



Jospin (right) and the Green party's Dominique Voynet

Serbia left out in cold from BIS

By Kevin Done, East Europe Correspondent

The central banks of four of the five states which emerged from the collapse of former Yugoslavia have been invited to join the Bank for International Settlements.

The Basle-based BIS said that the central banks of Slovenia, Croatia, Macedonia and Bosnia-Herzegovina had been invited to become shareholders in the bank in an interim move, while the four states and rump Yugoslavia, which comprises Serbia and Montenegro, continue talks on dividing the assets of the National Bank of Yugoslavia, former Yugoslavia's central bank.

The exclusion of rump Yugoslavia underlines the continuing isolation of Belgrade from the international financial community despite the lifting last year of United Nations trade sanctions.

This has been caused partly by its democratic record and its insistence on being the sole successor to former Yugoslavia. It claims the others seceded illegally.

Former Yugoslavia is understood to have had assets at the BIS of around \$600m, which were frozen when its membership was suspended in 1992 amid the country's violent collapse.

The BIS has put forward proposals for how to divide the assets, which were accepted last year by the four states of Slovenia, Croatia, Macedonia and Bosnia-Herzegovina but were refused by Belgrade.

The Bank of International Settlements, whose board of directors consists of central bank governors from the Group of Ten (G10) industrialised countries, provides financial services for central banks and is a forum for direct contact among central bankers about monetary policy issues.

NEWS: THE AMERICAS

Retail sales down as US growth slows

By Gerard Baker in Washington

US consumer spending slowed in April following its explosive growth in the first three months of the year. Retail sales fell by a seasonally adjusted 0.3 per cent last month, the first decline for six months, the Commerce Department reported yesterday.

The figures, suggesting that the US economy is slowing after its rapid growth in the first quarter of 1997, came one week before the Federal Reserve's open market committee meets to review monetary policy.

The US central bank raised

short-term interest rates at its last meeting in March in an effort to cool an economy that grew at a 5.6 per cent annual pace in the first three months of the year.

But if the retail sales figures last month do reflect a broader economic slowdown going into the summer, the Fed may not need to raise rates again next week.

Economists were divided about the impact of the figures on Fed policy. It was almost inevitable there would be some deceleration last month, following the spending surge in the first quarter.

Retail sales grew at an annual rate of more than 10 per cent in the

first three months of 1997. Despite the fall last month, sales February to April were still 2.5 per cent higher than in the previous three months, and demand overall remains strong.

"The slowdown in April is not surprising and is not necessarily the beginning of a trend. Instead, it is likely to be just another wiggle in the up-and-down pattern of consumer spending seen during this expansion," Mr James McCormick, an economist with JP Morgan, the New York investment bank, said.

Other economists thought the figures made a further Fed tightening somewhat less likely.

"This report reflected the softening demand scenario likely to keep the Fed on hold," said Mr David Greenlaw, economist at Morgan Stanley, another investment bank. The Commerce Department also revised down its estimate for retail sales in March, from an earlier estimate of a 0.1 per cent increase to unchanged. Last month's decline was broad-based.

Sales of new cars were down 0.9 per cent to a seasonally adjusted \$1.9bn following a 0.3 per cent March decline. It was the steepest drop in new-car sales since a 1.2 per cent fall last November.

New cars account for about a

quarter of total retail sales, so swings in demand strongly affect the overall monthly figures.

However, sales at department stores also fell by 1 per cent. There was a 0.3 per cent fall in spending on furniture and furnishings.

Attention will now focus on the inflation figures published later this week for further clues as to the direction of Fed policy.

April producer price figures are published today, with consumer prices out tomorrow. Despite the strength of final demand, neither indicator has demonstrated any significant acceleration in inflation.

Japanese ambassador to Lima resigns to take responsibility for security lapse
Peru hostage drama hero quits post

By Sally Bowen in Lima and William Dawkins in Tokyo

Mr Morihisa Aoki, Japan's ambassador to Peru, yesterday resigned to take responsibility for the 127-day hostage crisis at his residence in Lima.

Tokyo's decision to accept his resignation will be regretted by Peruvians, particularly the hundreds taken hostage by Tupac Amaru (MRTA) guerrillas, who stormed the embassy during a reception to celebrate the Japanese Emperor's birthday on December 17.

Mr Aoki was the first to stand up as machine-gun fire ripped through the marquee in the residence garden at the start of the crisis.

For most of the 40-minute gun battle he pleaded through a loud-hailer with Peruvian police outside the embassy residence to cease fire and put his guests out of the firing line.

That evening and for the next seemingly interminable 126 days, he maintained his courage, good humour and composure, always doing his best to ameliorate the increasingly difficult physical and psychological conditions of the 72 hostages who remained until the dramatic end three weeks ago.

Dozens of former hostages expressed their gratitude to, and support for, Mr Aoki in a full-page newspaper advertisement.



Morihisa Aoki talks to Yukihiko Ikeda, Japan's foreign minister, yesterday

tisement at the height of the

Yet the embassy has had to accept its share of responsibility for the enormous security lapses which led to the taking of the residence and of the hundreds of international VIPs by a band of relatively amateur and primarily teenage guerrillas.

As a consequence of the

siege, the foreign ministry has begun a security review of its overseas buildings.

Mr Aoki admitted to a Japanese parliamentary panel on the crisis a failure of "total omission" in failing to realise that terrorists might enter his grounds through a neighbouring building at the back of the property.

"I am painfully aware of

my responsibility for causing anxiety for the governments and peoples of our country and Peru and the governments of the world," he said, standing before the panel on crutches because of injuries received during the rescue.

Tokyo, caught between pursuing its traditionally pacifist line when faced with

terrorist attack yet anxious for a speedy conclusion, found the prolonged incident highly embarrassing.

Political damage to the Japanese government was minimised by the bold, cleverly planned and executed but ultimately lucky military attack ordered by President Alberto Fujimori, the Peruvian president (apparently without consulting Tokyo), on 22 April. All the guerrillas were killed in the attack.

Japanese relief and gratitude were underlined by Japanese premier Ryutaro Hashimoto's 20-hour flying visit to Lima at the weekend.

He posthumously decorated the two Peruvian commandos killed in the attack and reiterated pledges of support to the Fujimori government.

The fact that none of the two dozen Japanese hostages was killed or injured saved the Hashimoto government's face. But heads had to roll and Mr Aoki's has proved the most convenient.

Within two hours of the storming of the residence, he had already admitted to guests that there had been no security at the rear of the residence where guerrillas blew a hole in the wall.

Yesterday, Mr Yukihiko Ikeda, the foreign minister, announced at a Japanese parliamentary hearing into the crisis that he had

accepted the ambassador's offer to step down.

Mr Aoki's resignation came despite an appeal by Mr Fujimori for him to be allowed to stay, in a letter to Mr Hashimoto.

The Japanese foreign ministry has a commission investigating security errors on the inside, 19 high-ranking Peruvian police officers are on trial (the intelligence service having managed to escape censure) for negligence in securing the exterior of the embassy residence.

The embarrassment brought by the Peruvian hostage crisis has not, however, hindered Japan's desire for closer relations with Latin America.

Emperor Akihito and Empress Michiko are to stage a two-week tour of Brazil and Argentina from the end of this month, the first ever Japanese imperial visit to Latin America. Brazil is home to 1.3m people of Japanese descent, the largest Japanese community outside Japan itself.

But in Lima security forces have been put on red alert. Intelligence reports indicate that several dozen subversives from both Sendero Luminoso and the MRTA are converging on the capital with a view to creating as much havoc as their weakened organisations will allow.



\$14.5m for Toulouse-Lautrec pastel of seated dancer

Record price for Toulouse-Lautrec

By Antony Thornicroft

A painting by Cézanne of his wife seated in a yellow armchair, one of four such portraits known, sold for \$23.1m at a standing-room-only auction held by Christie's in New York on Monday night.

It went to an anonymous European buyer.

The price was slightly below estimate, but it was the second highest price ever paid at auction for a painting by the French Impressionist artist, beaten only by a still life of fruit which sold at Sotheby's in 1993 for \$23.6m.

A pastel by Toulouse-Lautrec of a seated dancer with pink stockings fetched \$14.52m, a record for the artist.

One of only two self-portraits by Manet made \$18.7m. It was the second highest price paid for a Manet in the

saleroom, and was close to its estimate.

All the paintings were part of a consignment of 29 works of art sent for sale by the executors of John Loeb, the Wall Street financier who died in December.

All sold except one lot, bringing in \$92,794,500, the second highest total for a single-owner collection sold at auction.

The total just exceeded Christie's expectations and confirms that the top end of the art market is in good shape.

Over three quarters of the lots sold either above, or within, their estimates, and the buying was spread across the world, with 46 per cent of the lots going to the US, and 39 per cent to Europe.

Among the other top prices were the \$12.65m paid for another Cézanne, a view of Estaque in the south of France; \$4.3m for a Renoir nude; and \$3.85m for a painting of irises by Monet.

Moscow seeks Washington help over dismantling N-weapons

By Bruce Clark in Washington

Mr Igor Rodionov, Russia's defence minister, yesterday sought fresh help from his US counterpart, Mr William Cohen, in dismantling nuclear weapons and downsizing the cash-starved Russian military.

The minister, an ex-general with a reputation as a tough-minded pragmatist, said after meeting Mr Cohen that he was "very optimistic" about US-Russian co-operation over military reform and the retraining of servicemen.

In the latest effort to dismantle the legacy of the cold war, the ministers announced a plan to use US funds and expertise to dismantle rocket motor cases and canisters from 410 Soviet-built ballistic missiles.

They also considered the extension of US-Russian peacekeeping efforts, well established in Bosnia, to hitherto unthinkable areas, such as joint action against forces possessing chemical, biological or ballistic weapons.

Mr Rodionov's arrival coincides with a searching internal review by the US military establishment of how to trim and adapt the armed forces to a post-cold war world.

Any budgetary and strategic problems faced by the US military forces are dwarfed by the catastrophic decline, compounded by defeat in Chechnya, which the Russian military has experienced since the disintegration of the Soviet Union. But Mr Rodionov will be briefed on the internal reassessment process known as the Quadrennial Defence Review (QDR), due to be completed this week.

While dismissive of any direct threat from Russia, Pentagon officials are still worried about Russian transfers of military technology to China, and they will be pressing Mr Rodionov to show restraint. They have also noted with alarm some recent statements by Mr Rodionov that Russia may soon have difficulty maintaining systems for controlling strategic nuclear arsenals.

A Pentagon official said the Russians were caught between the perception that China might become a threat to their own security and their desperate need for export sales.

This year's strategic assessment by the Institute for National Strategic Studies, a Pentagon-related think-tank, describes both Russia and China as a potential "theatre peers" - which "cannot challenge US interests globally but are potentially capable of military challenges in areas close to their border."

Regional wars seen as the biggest danger

Of more immediate concern to US military planners is the possibility of a regional conflict involving one or more so-called rogue states, such as Iran or Iraq. Mr Cohen reaffirmed this week that the QDR, the results of which will be

made public on Monday, would maintain the principle of preparedness to fight two significant regional wars at virtually the same time - although conservative defence analysts say this capacity may already have been lost.

The QDR is expected to call for the US armed forces, which have been cut by 600,000 troops to around 1.45m since 1989, to shed more personnel and close bases to free money for arms modernisation.

A few weeks ago, army generals feared the loss of about 150,000 servicemen, including 56,000 - or the equivalent of three divisions - from the army alone, according to a memo leaked to Defence Week, a specialist publication.

But the Pentagon has insisted the QDR will call for the retention of all 10 army combat divisions. It will preserve, in reduced numbers, three aircraft programmes whose total cost could reach \$350bn. They are the air force F-22 stealth fighter, the navy FA-18 E/F and the tri-service joint strike fighter.



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| Prices for electricity generated for the purposes of the electricity trading and transmission arrangements in England and Wales | | | |
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NEWS: WORLD TRADE

Hare and tortoise set for Americas' free trade race

The US is in a hurry for hemispheric cuts in tariffs; Brazil is not so sure.
Stephen Fidler and Geoff Dyer on the battle to open up lucrative markets

It is being billed in Brazil as a clash between the two largest economies in the Americas on how to proceed towards a free trade area for the western hemisphere.

The venue is the south-eastern Brazilian city of Belo Horizonte, where trade ministers representing 34 countries from the western hemisphere meet this week.

Leaders from the 34 - all the countries of the hemisphere except Cuba - agreed at a summit in Miami in 1994 to have an agreement on a Free Trade Area of the Americas (FTAA) in place by 2005.

The Belo Horizonte meeting is meant to provide the groundwork for the next hemispheric summit in the Chilean capital, Santiago, next March. After that, negotiations proper to an FTAA are scheduled to begin.

Agreement has so far been reached on two issues: tariff reductions should be in place by 2005 and whatever is agreed will be part of a single agreement, rather than a series of separate undertakings. However, fun-

damental differences in the approach to the FTAA have emerged.

On one side, the US, backed by Canada, wants to move into talks on reducing tariffs straight after the Santiago summit. On the other, Brazil - also speaking on behalf of its Mercosur partners, Argentina, Uruguay and Paraguay - favours a gradual build-up to talks on tariffs.

Brazil wants a three-stage approach. Step one, to begin next year, would involve negotiations over what it calls business facilitation and deregulation. Then it would embark on negotiations on trade-related rules, such as disputes settlement and rules of origin. Only then, by perhaps 2003, would the talks on tariffs begin.

The US, on the other hand, wants to start negotiations on all these issues at the same time. Its priority is the fastest possible opening to US companies of fast growing markets in Latin America.

Latin American governments undertook a significant unilateral reduction in

tariffs in the late 1980s and early 1990s, but that pace has slowed and tariffs remain relatively high in international terms.

Mr Bill Daley, the US secretary of commerce, launched a broadside against Brazil's trade restrictions as he arrived there this week. He criticised the Brazilian

Washington's priority is the fastest possible opening to US companies of fast growing markets in Latin America

automobile regime, requiring foreign carmakers to maintain factories in Brazil in order to import cars at half the normal 70 per cent tariff and setting quotas on eligible imports.

This measure was "a clear violation of WTO rules" and would, if not resolved, result

in a US complaint to the World Trade Organisation "sooner rather than later", he said.

He also expressed "serious concerns" about Brazil's recent trade financing restrictions and criticised the slow pace of copyright and computer software protection legislation.

However, he added that Brazil was one of 10 markets expected to account for over 40 per cent of total world imports and growth over the next 15 years. It was therefore "one in which we are aggressively seeking commercial relations."

Brazil has its own complaints against US trade barriers - in particular to textiles, shoes, orange juice and other agricultural products - and against the US section 301 legislation which allows Washington to take unilateral action against producers deemed to be trading unfairly.

According to Brazilian diplomats, the US attitude to the agricultural sector will be the key to whether any progress can be made at Belo Horizonte. President Fern-

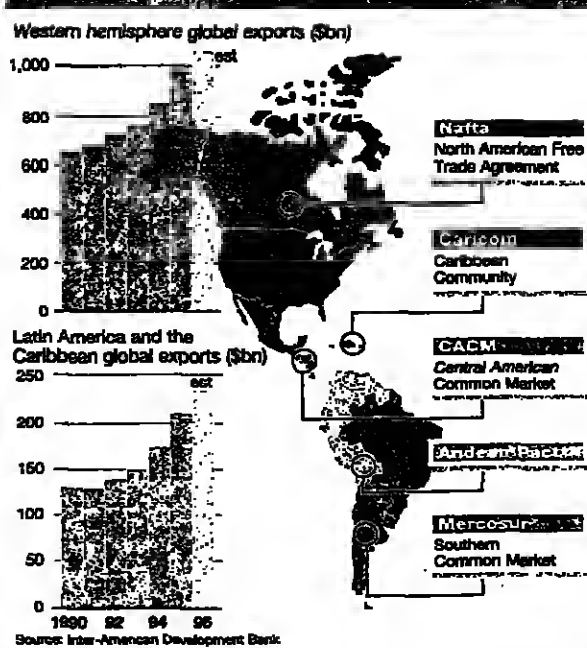
ando Henrique Cardoso implied this on Monday, saying: "Regional integration depends a lot more on the capacity of countries in the north to open up their markets."

The FTAA negotiations are a dangerous game for Mr Cardoso, who is expected to stand for re-election next year. Brazil's first wave of tariff reductions has led to a widening trade deficit, expected to exceed \$10bn this year.

According to Mr Luiz Felipe Lampreia, Brazilian foreign minister, the economy was "submitted to an intense competitive shock" in the early 1990s as a result of tariff reductions and the creation of Mercosur. He argues that it is too early to inflict another shock on industry.

If the government is perceived to be moving too fast in terms of tariff reduction, it risks a strong domestic backlash. And if it loses control over the trade debate, it could weaken support for other aspects of its market-oriented economic programme.

Exports from the Americas



Source: Inter-American Development Bank

Mr Rubens Ricupero, the former finance minister, gave an indication of the anxiety that the FTAA was creating when he said that Brazil was "playing with its destiny" in these talks.

Nonetheless, the talks also provide an opportunity for the government to assert a regional leadership role, a long-held ambition of the

and labour issues. Brazil takes a much more narrow approach, believing the accords should be limited to trade.

There are some areas of agreement, however. Against the objections of Mexico and others, both the US and Brazil would like to see trade unions consulted closely in the negotiations, rather as corporations are at present.

Moreover, with President Bill Clinton making his first visit to Brazil in October, there are strong reasons of diplomacy for leaving the door open for compromise. Such a compromise, say Brazilian officials, might allow negotiations on a tariff reduction schedule to start next year - leaving a decision on the date of implementation until later.

Washington's ability to push its own more rapid timetable for tariff reductions in any case depends on whether it can convince Latin American governments that it can follow up on its pledges. That depends on Congress granting "fast track" authority - which allows the administration to negotiate trade deals without a line-by-line veto from Congress - an issue on which there has been little progress to date.

Argentina's wine takes on fresh sparkle

The country is challenging the top growers in the New World.
Andrea Campbell reports

Since a Chilean monk first planted grape vines in Argentina more than 400 years ago Argentine wines seem to have been lost in the world's wine cellars among the numerous bottles from Chile, its more export-oriented Andean neighbour.

But after the successes of such countries as Australia and South Africa, Argentina is looking to clear a shelf for itself among the younger, fruitier New World wines that have come to challenge Europe's wine industry.

Argentina is the fourth largest wine producer in the world, but the full-bodied wines crafted to complement a hearty steak have failed to find favour in international fine wine circles. That is, until now.

A newly reinvigorated industry has been attending international exhibitions, sponsoring tasting tours and flying in wine journalists and critics to savour Cabernet, Malbec and Merlot fed on glacial springs and mountain sunlight.

By adapting Argentine wines more to international tastes and teaming up with government in a joint effort to market their wines abroad, Argentine wineries have seen sales of fine wines jump by 300 per cent between 1994 and 1996. With the guidance of the Argentine Wine Producers' Association, 80 of the country's 1,500 wineries have banded together under the banner of Argentina Top Wines, through which fine wine producers have managed to quadruple exports to trendsetting markets such as the UK.

"The Argentine wine industry is taking off and it's because the wine producers want to make this happen," said Mr Mario Giordano, manager of the Argentine Wine Producer's Association.

The 107-year-old Bodega Lavague, in the heart of the wine-producing province of Mendoza, has invested US\$20m in the last few years, acquiring the best grape varieties from around the world, contracting viticulturists from California, Australia and France, and investing in French oak barrels and new labels.

Following the example of California's Napa Valley, Lavague added a showroom, restaurant and hotel complex to its Michel Torino winery in the northern province of Salta. Lavague and other fine wine producers are betting that new investments will bring new markets to replace the steady decline in internal consumption due to increased competition from beer and soft drinks. So far Lavague's investment has paid off with sales doubling since 1995.

The industry's new energy comes after years of decline. Many countries refused to buy wine from Argentina

during the years of military rule and when democracy was restored in 1983 hyperinflation paralysed the economy. As a result, winery investment was non-existent and the number of planted hectares dropped from 300,000 in 1978 to the current 200,000.

It was not until the economic opening brought on by monetary stabilisation in the early 1990s that the industry began to breathe signs of new life, boosted by an influx of foreign investment. In the last few years beverage multinationals such as Pernod Ricard, Allied Domecq and Hiram Walker have all acquired Argentine wineries.

The renewed confidence brought with it a change in direction. After years of planting high-yield low-quality grapes for table wines, the wineries are returning to their fine wine roots.

The US and Britain remain Argentina's main markets, but the wineries are also looking to develop a foothold

The country's producers have seen fine wine sales jump 300 per cent from 1994 to 1996

in the Far East, where small shipments have begun arriving in Japan and Hong Kong.

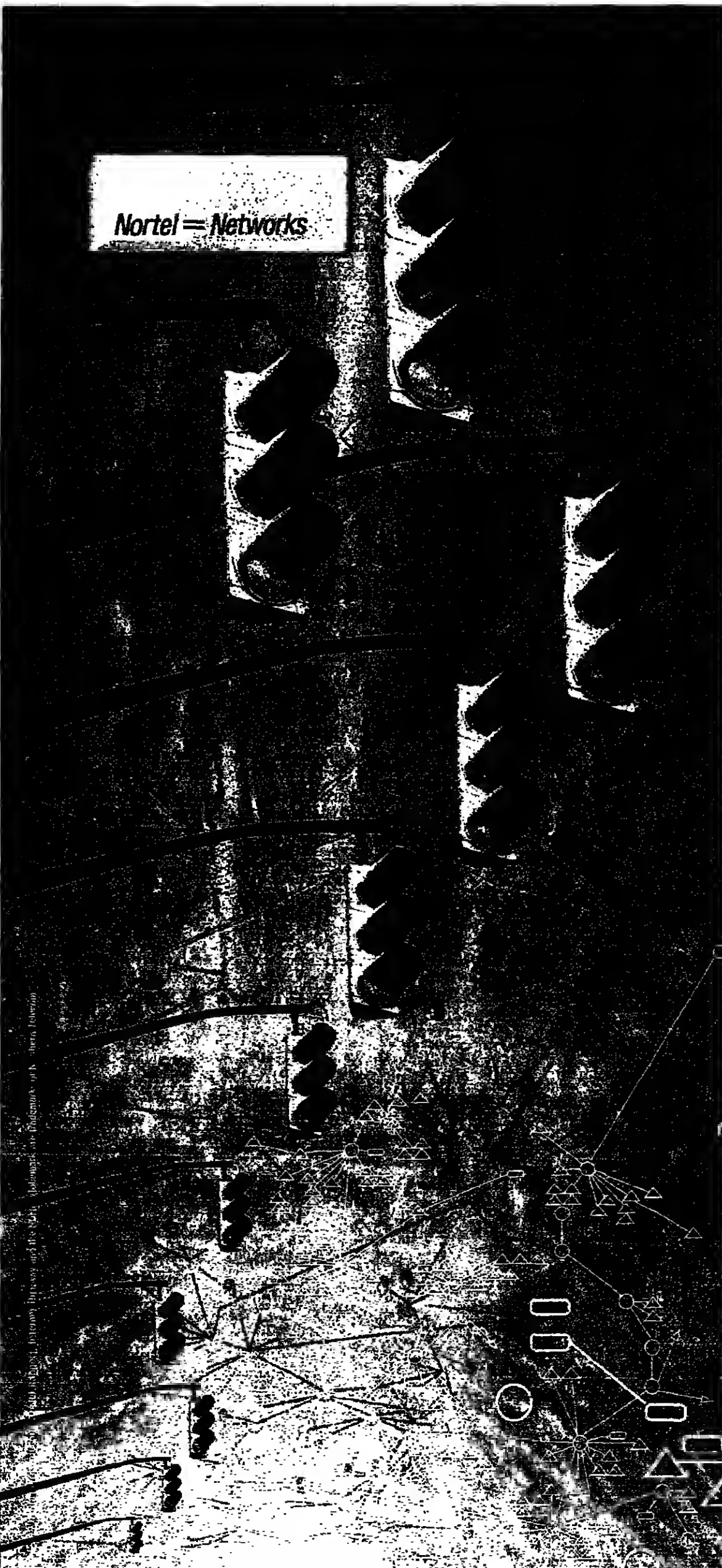
The only obstacle to what appears to be an unlimited growth potential is Argentina's liberal use of wine denominations from other countries. By not legally defining its own origins and varieties, Argentina is facing a commercial backlash from some countries such as Spain, which has held up the delivery of 10,000 cases of red wine to Sweden since December.

The wine's labelling, called La Rioja after the Argentine province, is being rejected by Spain, which has its own Rioja demarcated wines.

Exports still represent less than 9 per cent of overall production compared with 20 per cent in Chile, and the Argentines would like to copy Chile's marketing success and combine it with their vastly greater production volume.

But unlike the Chileans, who have flooded the market with cheap wines and are now faced with trying to raise prices on their limited production, the Argentine plan is to sell fine wines at mid-level prices, said one leading wine exporter.

"Chile has been a good business for all retailers and Argentina is going to be an even better business - and we aren't going to run out of wine," the exporter said.



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NEWS: INTERNATIONAL

Snubbed US concern at property dealer's death

Israeli envoy resigns

By Judy Dempsey

Israel's new ambassador to Jordan resigned yesterday after Mr Benjamin Netanyahu, the prime minister, failed to inform him in advance of his secret meeting last week with King Hussein.

The resignation of Mr Oded Eran highlights a breakdown of communication and consultation between Mr Netanyahu and the foreign ministry. Even though he promised more open government after last month's Bar-On scandal, senior officials said Mr Netanyahu remained suspicious of anyone who did not help him win the election or is not a loyal Likud supporter.

Mr Eran told Israel radio he did not intend to be a censor or an obstacle to meetings, "but there is a need to brief the embassy on actions being taken." Mr Netanyahu had flown to the Jordanian port of Aqaba to resolve a water dispute and to try to mend relations with Israel's only Arab ally.

Mr Shah Bazak, Mr Netanyahu's spokesman, said the foreign ministry was not being circumvented and in future there would be co-operation with the ministry.

By Judy Dempsey
in Jerusalem

The death of a Palestinian real estate dealer has highlighted a growing struggle by Palestinians to hold on to land in east Jerusalem and has led Washington to express its concern at possible political motives.

Mr Farid Bashiti, who Palestinian human rights groups said "had many enemies", had been selling Palestinian land in east Jerusalem to Jews for 30 years.

His death, which allegedly took place in the West Bank town of Ramallah, coincides with attempts by the Palestinian Authority to impose harsh measures on any Palestinian selling land to Jews.

At the same time the Israeli government continues to confiscate land in Arab east Jerusalem and Palestinians face increasing difficulties in keeping their residence in the city after living abroad.

The US State Department said it would be "highly disturbing" if Mr Bashiti's death was found to be politically motivated, but would await results of an inquiry.

Mr Fathi Abu Medine, the Palestinian Authority's justice minister, last week revived an old Jordanian law which banned Palestinians from selling land to Jews when Jordan governed the West Bank and east Jerusalem between 1948 and 1967.

Mr Shawqi Issa, director of LAW, a Palestinian human rights organisation, said he agreed with law's revival since Israel prevented Jews from selling land to Palestinians in Israel. Furthermore, Palestinians had had no right to compensation, nor right of return or restitution of their land when they fled Israel after the 1948 war of independence or the 1967 Six-day war.

Since 1948 Palestinian property in Israel or the West Bank was often sold through intermediaries to Jews or confiscated.

"It means that if the refugee problem is ever solved, Palestinians will not be able to seek any kind of compensation because the land will have been registered in the Israeli land registry," Mr Issa said. "Land documents could become worthless pieces of paper."

The struggle to hold on to land has been supported by the Palestinian-appointed mufti of Jerusalem, Akrim Sabri. Last week, he told worshippers at the Al-Aksa Mosque that Moslems who sold land to non-believers in Jerusalem would be considered infidels. Mr Bashiti would be denied a Moslem burial.

Attempts to stem Palestinian property sales to Jews have also won support from a group of Palestinian and Jordanian businessmen which last month launched a campaign to raise \$500m to buy and develop Arab property in east Jerusalem through a holding company. It will also offer legal help to east Jerusalem property owners to protect their real estate from Israeli buyers.

Seven in race to head WHO

By Frances Williams
in Geneva

The World Health Organisation ends its annual assembly today with seven candidates already declared in the race to succeed Dr Hiroshi Nakajima of Japan as director-general next year.

Front-runners at this stage are said to be Mrs Gro Harlem Brundtland, former prime minister of Norway, and Dr Nafis Sadik of Pakistan, head of the United Nations Population Fund.

The other candidates are Sir George Alleyne of Barbados, director of the WHO's regional office for the Americas; Dr Fernando Antezana Arambur of Bolivia, a WHO deputy director general; Dr Arif Bataineh, former Jordanian health minister; Dr Utom Muchtar Rafei of Indonesia, regional director for south-east Asia, and Dr Ebrahim Samba, regional director for Africa (from Gambia).

Formal nominations open in July. The final selection will be made by the WHO's 31-member executive board next January for approval by the World Health Assembly in May next year.

Ms Donna Shalala, US health secretary, said last week that Washington had not taken a position on any of the candidates in a "very strong field" and was concentrating on the reforms it wants the new director-general to pursue.

Dr Nakajima's two terms in office have been marred by persistent criticism from the US and other western governments of his management performance and leadership.

Washington failed at this year's assembly to push through a 5 per cent budget cut for 1998-99, securing only an accord to keep the regular budget at the present \$342.7m for the two years rather than the \$346.1m proposed by Dr Nakajima.

The US expects to see its own contribution fall substantially next year, because of a general review of country assessments now under way at the UN in New York. Washington at present pays 25 per cent of the regular budget of the UN and the main specialised agencies, a share it hopes to reduce to 20 per cent for the coming two years.

At its final session, the World Health Assembly is due to adopt a series of resolutions, including one condemning the possible cloning of humans as "ethically unacceptable".

Another resolution adopted on Monday asks the WHO to monitor and make recommendations on the rapid growth of medicine sales through the Internet. Many fear the practice could put consumers at risk through uncontrolled distribution of prescription medicines.

New El Al chief faces tough sell-off fight

By Avi Mechlis in Tel Aviv

The board of directors of El Al, Israel's loss-making state-owned airline, will today consider measures to turn around the company's fortunes, spelled out in a 250-page strategic plan.

The need to rehabilitate the airline follows estimated losses of \$30m (\$49m) on revenues of \$1.2bn last year.

Mr Joel Feldshuh, the newly appointed president, hopes to cut those losses to \$46m this year. His task has taken on extra urgency since the government recently revived promises to privatise the company.

But six months into the job, Mr Feldshuh has discovered that preparing the airline for privatisation is no easy task.

Rising fuel prices, an overvalued shekel and a slight drop in tourist traffic to Israel from 2.5m in 1995 to



Feldshuh urgent task

2.35m in 1996 contributed to last year's slide into the red. Meanwhile, the government's decision in 1994 to try to encourage tourism through an "open skies" policy caught El Al unprepared for increased competition and lower fares.

Mr Feldshuh, a retired air force brigadier-general with only four years' civilian

business experience, believes the only way to confront this "new business environment" is to free El Al of government control.

"The company needs to be privatised quite badly," he said. "If you [the government] have opened the market and are preaching free enterprise, you must have allowed to compete like any other company."

For nearly 10 years, successive governments have reshaped plans to sell El Al. Mr Raphael Harlev, the company's former president, resigned last year in protest at the previous Labour-led government's lacklustre privatisation efforts.

Mr Benjamin Netanyahu, the prime minister, has repeatedly pledged to privatise at any cost.

This commitment will be put to the test with El Al, especially since analysts say its flagging financial state

would draw a low valuation. Any privatisation scheme faces enormous obstacles. The most problematic is a government-imposed ban on flights on the Jewish Sabbath, from Fridays at sunset to Saturday nights. This grounds El Al's fleet for about 20 per cent of its potential flying time, and costs an estimated \$40m-\$50m in annual profits.

Mr Yitzhak Levy, the transport minister who must approve the sell-off, is an orthodox Jew who has vowed to impose this ban on any potential buyer.

Mr Feldshuh knows privatisation of El Al will not take off if the government insists on keeping his fleet of 38 aircraft on the ground each weekend. "No reasonable person will buy into the company if they know it will cost them \$30m a year because the airline doesn't fly

seven days a week," he said. Profits are also squeezed by steep security costs. Even if the Sabbath ban is scrapped, the government will ensure tight security is maintained under any future owner. El Al spent about \$30m on security in 1996, while the government paid an additional \$30m.

Airtight security is El Al's trademark, but it has contributed to its reputation for poor inflight service, as many passengers who have experienced pre-flight interrogations can attest. "But service and security do not contradict," said Mr Feldshuh, pledging to send all of El Al's 3,500 employees including security personnel to service training programmes as part of the new plan.

Improving service alone, however, will not solve El Al's problems. Mr Feldshuh said he had taken initial

steps to restructure the company. For example, cargo operations, which account for about 20 per cent of revenues, had been given more financial autonomy.

The strategic plan also envisages a greater shift towards cargo. This would offset El Al's susceptibility to the volatile tourist industry, while abandoning unprofitable passenger routes.

Mr Feldshuh has been attacked in recent weeks by board members who now must approve his plan.

Mr Yaakov Perry, director of the Cellcom cellular telephone network, recently resigned from the board saying the new president had not drawn up any "comprehensive plans" to solve El Al's problems.

It is now up to Mr Feldshuh to prove to them that he is taking El Al on the smoothest route upwards.

Lunch is off for cassava mite

By Alison Maitland
in London

Scientists today claim a breakthrough in control of one of the most devastating pests of cassava, the starchy root crop that is a staple food for nearly 600m people in the developing world.

Field tests using a predatory mite imported into Africa from South America have cut populations of the green mite pest by up to 90 per cent and boosted cassava production by a third, they said in Washington.

The beneficial mite has now established a presence over 400,000 sq km in west Africa, according to the International Institute of Tropical Agriculture in Ibadan, Nigeria.

Mr Steve Yaninek, who has been conducting trials in Benin, said the international research teams were now seeking funding to spread the predator across central Africa and to parts of the east and south of the continent. The resulting increase in production could be worth \$200m a year to African farmers.

"This is the first time anywhere that a mite pest on a field crop is being controlled on a continent-wide scale using classical biological control, a method that does not require the use of pesticides," he declared.

Cassava was introduced from South America to Africa 400 years ago, but the green mite, similar to spider mites found on potted plants, only arrived in 1971.

Smaller than a full stop, the mites came unaccompanied by natural predators and disease and destroyed a third to half of the cassava crop in 27 African countries. "It was like a free lunch," said Mr Yaninek.

Mr Hans Herren, a leading Swiss entomologist who helped to save cassava from the devastating mealybug in the 1980s using a parasitic wasp, welcomed the results of the mite research he initiated 15 years ago.

"It shows you will find solutions in nature if you know where to look, rather than going for heavy investment in (genetic) engineering, which farmers won't be able to afford in the end."

Mr Lincoln Smith, biological control specialist at the International Centre for Tropical Agriculture in Colombia, said the predators were collected from the wild in South America and flown in insulated boxes via Amsterdam to Benin.

Rigorous tests have been carried out to check the mites do not switch diet to beneficial insects. "There's a 99.9 per cent chance they're not going to cause problems on anything else," said Mr Smith.

Mobutu seeks his salvation in a cleric

By Michela Wrong
in Kinshasa

In times of crisis, people turn to religion as a last resort. The maxim has proved true in Zaire, where the cornered President Mobutu Sese Seko is looking to the country's most prominent cleric for his salvation.

A possible role for Catholic Archbishop Laurent Monsengwo, recently re-elected speaker of parliament, is expected to feature at the second round of shipboard talks scheduled between Mr Mobutu and the rebel leader, Mr Laurent Kabila.

With rebels reported to be closing in on Kinshasa, the president appears to have accepted the inevitability of his departure. What he wants now, diplomats say, is to go with dignity.

Handing over to the archbishop, his constitutional successor, who could hold the line until the rebels took over, would allow him to do just that.

That plan, a favourite with French negotiators, looks doomed. The Alliance of Democratic Forces for the Liberation of Congo (AFDL) has dismissed it as "non-

A second summit between President Mobutu Sese Seko and the rebel leader, Mr Laurent Kabila, will take place as scheduled on board the SAS Oronquia today, South African officials insisted yesterday. Michela Wrong reports. President Nelson Mandela's office said negotiators had drawn up the skeleton of a peace agreement to be confirmed on the warship and both leaders had promised to attend.

sense", and insists it wants power passed directly to the rebels. Zaire's main opposition party objects to it.

Waiving the rules forbidding churchmen from playing politics would require the Pope's blessing, approval the Vatican would give only if it was clear he was a consensus candidate.

While it is looking increasingly unlikely the Archbishop of Kisangani will be the next president of Zaire, many believe he has a significant role to play during the transition of power. The fact the 67-year-old churchman has returned to Kinshasa from a long stay in Rome

indicates he shares that view.

"Monsengwo has a role to play as mediator," insists a church official. "But what precise form that takes remains to be seen."

The qualities that fit him for that task are those that originally dragged him into the hurly-burly of Zairean politics.

Because of Mr Mobutu's divide-and-rule principle, Zaire's democratic transition has been marred by interminable squabbling among opposition parties, many of them set up as spoilers by the president himself.

When the wrangling threatened to get out of hand at Zaire's ground-breaking National Conference in the early 1990s, the archbishop was the only neutral figure with the moral stature to arbitrate.

Like a patient schoolmaster, he brought first the unruly conference, then the parliament that replaced it, to heel, guiding a new constitution clause by clause through the chamber.

Few others could have seen the task through. But the archbishop, holder of a doctorate in biblical studies,



Archbishop Laurent Monsengwo: key role to play during a transition

is an intellectual heavyweight. Widely travelled, and a prolific author, he speaks Swahili, Lingala and French, and can crack jokes in both Italian and Latin.

Supporters say the archbishop believed it was possible to reform the regime by confining Mr Mobutu's sweeping powers within a legal framework. History suggests the opposite: that only armed revolt can oust a dictator.

But for the radical opposi-

tion, the archbishop's role in the 1994 sidelining of Mr Etienne Tshisekedi, allowing Mr Kengo Wa Dondo to be nominated prime minister in his stead, meant he was a Mobutu supporter.

Opposition newspapers heaped abuse on him and his reputation was seriously dented. In an unholy alliance, Mr Mobutu's supporters and the opposition joined hands to sack him as speaker in 1993, an ousting he and western diplomats

recognised only in 1996.

Moderate politicians have since admitted sacking the archbishop was a serious mistake, but he swore never to dabble again in politics.

The fact that despite such a scarring experience he is considering re-entering the fray suggests that like many Zaireans, he fears the approaching crisis could be so apocalyptic it is worth laying his reputation on the line again.

Can African economies sustain their recovery?

The world's poorest continent must attract global capital to maintain economic growth, argues Tony Hawkins

Blip or trend? Is Sub-Saharan Africa in the throes of a sustained economic upswing or is last year's 5 per cent growth in gross domestic product, with similar expansion this year, a flash in the pan?

The aid lobby, conscious that its standing in Africa has never been lower, hopes the region is turning the corner. "There are signs," says the International Monetary Fund's World Economic Outlook, "that the implementation of stronger macroeconomic and structural policies and improvements in governance have begun to produce higher growth in an increasing number of countries."

The IMF sees continued recovery in several Franc zone economies following the 50 per cent devaluation of the CFA franc three years ago, while Ghana, Kenya, Malawi and Uganda are also achieving success.

Last year's 5 per cent growth in African economies was the best in two decades, reflecting "strong activity" in primary product sectors, especially agriculture, as several countries recovered after poor weather.

The 28 per cent rise in the dollar price of oil (the region's top export) in 1996-97 was an important factor along with the 1994-95 upturn in non-fuel commodity prices. But with some of

these influences - notably the dollar prices of oil and non-fuel commodities - running out of steam or being reversed this year, and with less favourable weather in parts of southern and east Africa, some slowdown in growth is likely.

The growth performance is welcome after 20 years of declining real per capita incomes, but whether it can be sustained depends not just on the momentum of economic and political reform being maintained, which cannot be taken for granted, but also on the emergence of a very different pattern of development.

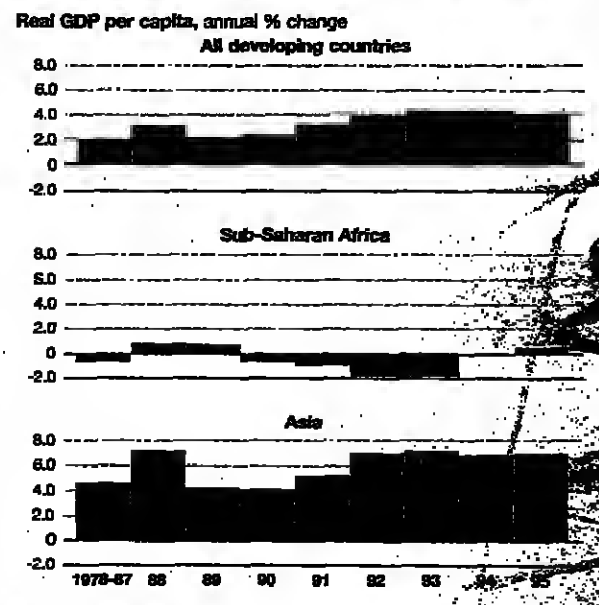
Many of the region's current difficulties can be traced to its failure - or inability - to participate in the globalisation process.

The IMF notes that the region's share of world trade has fallen from 3 per cent in the mid-1950s to 1 per cent in 1995. It attracts a mere 3 per cent of the foreign direct investment to developing countries.

Since 1985, the average per capita income in Africa has halved from 14 per cent of average industrial country levels to 7 per cent. Today, 47 sub-Saharan countries account for only 2.4 per cent of global GDP. And of that, almost 40 per cent is contributed by just two countries, South Africa and Nigeria.

For the blip to become a

African economy: blip or recovery?



Source: World Economic Outlook, IMF

trend, the region must win a higher share of world exports and of capital flows.

There are some encouraging developments - notably accelerating privatisation in several countries, but more importantly the revival of international exploration and development in the oil, gas and mining sectors, especially in West Africa.

But because such a growth pattern deepens dependence on primary commodities it

falls well short of what is needed to generate Asian-style manufacturing-led and export-led growth.

This not going to happen without a strong revival of private investment and especially, foreign investment. Recent trends are dispiriting: while the decline in aid has a positive flipside - forcing governments to court private capital far more aggressively than before - only a handful of sub-Saha-

ran countries are making any real headway.

According to the World Bank, aggregate net resource flows to the region rose 12 per cent last year to over \$25bn, but more than half of this came from official sources, including \$11.8bn in grants - 38 per cent of the global aid flow.

And while private flows more than doubled from \$5.2bn in 1994 to \$11.8bn last year, over half went to just

one country, South Africa.

It accounted for \$5.6bn of the \$5.8bn in commercial bank lending to sub-Saharan countries, while more than half the \$800m in net bond issues represented offshore borrowing by Pretoria. About 89 per cent of portfolio equity flows went to South Africa too.

While foreign direct investment increased 18 per cent to \$2.5bn in 1996, not only was this lower than in 1994 (\$3.1bn) but the bulk went to a handful of oil exporters - Nigeria, Angola, Cameroon and Gabon.

Meanwhile, Sub-Saharan Africa's share of foreign direct investment in developing countries continues its gentle slide - to 2.4 per cent last year from over 3 per cent in the early 1990s. Although aid flows increased in 1996, after adjustment for exchange rate changes and inflation, they have fallen 15 per cent from their 1990 peak, and the region's aid/GNP ratio declined to 7.8 per cent in 1994-95 from 22 per cent a decade ago.

Twenty years of huge aid inflows have left the region with precious little to show for itself other than an often unsustainable foreign debt burden. But so long as private investment flows are so heavily concentrated in a handful of countries, growth in at least half of the 47 countries will depend sub-

stantially on foreign aid.

The 1995-96 upswing will be sustained only if four long-term trends are reversed - the decline in agricultural output, de-industrialisation, falling investment in both the private and public sectors, and the deterioration in the region's institutional capacity, to which the donor community has contributed in no small measure by fostering aid addiction.

A generation of aid initiatives has left a legacy of understandable scepticism. The current crop - Washington's African Growth and Opportunity Act, the World Bank and the IMF's debt reduction initiative for highly indebted countries, and the UN's Alliance for African Industrialisation with its focus on agro-industry where the continent has competitive advantage - are all steps in the right direction, but whether they will create the platform for self-sustaining sub-Saharan growth is problematic.

The hard reality is that no aid programme can deliver the foreign private investment, without which sub-Saharan Africa will continue to lag the rest of the developing world. Aid, if it builds rather than undermines capacity and institutions, can help create the right environment for private investment. But it cannot plug the gap.

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WEDNESDAY MAY 14 1997

Seven in race to head WHO

By Frances Williams in Geneva

World Health Organization today will select its new director-general from a shortlist of seven candidates. The search for the head of the WHO, which was founded in 1948, is one of the most prestigious in the world. The candidates are: Dr. Gro Harlem Brundtland, former prime minister of Norway; Dr. Eduardo Azeiteiro, former director of the United Nations Population Fund; Dr. John G. Peltz, former director of the Centers for Disease Control and Prevention; Dr. Robert S. Anderson, former director of the American Heart Association; Dr. Robert C. Anderson, former director of the American Heart Association; Dr. Robert C. Anderson, former director of the American Heart Association; and Dr. Robert C. Anderson, former director of the American Heart Association.

recovery? argues Tony Hawkins



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Chirac to clinch trade deals in China

By James Harding in Shanghai

Mr Jacques Chirac, the French president, arrives in Beijing tomorrow to seal a clutch of big contracts, boosting French business interests in China and cementing an improvement in bilateral relations.

Mr Chirac's visit, on which he will be accompanied by more than 50 top French businessmen, is the first by a French president since 1983. It marks the restoration of Paris' close relationship with Beijing, dogged for a decade by France's protests over human

rights abuses and its sale of fighter aircraft to Taiwan.

China is expected to sign a multi-billion-dollar order for European Airbus and grant operating licences to Axa UAP, the French insurance company, and several French banks.

France recently earned Beijing's gratitude - and criticism - from many of its European Union partners - by taking the lead in scuppering a Danish-sponsored proposal for a UN resolution condemning China's human rights record. "China will be saying thank you to France for taking its

side [on human rights] in the only way it knows how, by signing contracts," a European diplomat said yesterday.

Industry insiders believe China may order as many as 50 Airbus aircraft worth about \$2bn - three times the value of the contract for five Boeing 777-300 airliners signed when Mr Al Gore, the US vice-president, visited China in late March.

The deal will be watched closely in Washington, where there are concerns that any hint of Chinese favouritism towards Airbus could complicate US President Bill Clinton's efforts to improve political

and trade relations with Beijing.

Soms observers fear erosion of Boeing's dominance of the Chinese market could increase alarm in Congress over China's rising trade surplus with the US and hand ammunition to opponents of renewal of China's Most Favoured Nation trade status this year.

Mr Chirac will also be lobbying for GEC-Alsthom's bid to build turbines for the Three Gorges Dam, the world's largest hydroelectric project. The project has been criticised as unsound by the US and by environmentalists.

The French president's visit, during

France's parliamentary election campaign, is intended to reinforce his image at home as an exports salesman.

As well as granting Axa UAP one of the first licences issues to a European company to conduct life insurance business in Shanghai, China is expected to authorise Banque Nationale de Paris and Société Générale to open branches in Beijing.

After meeting China's President Jiang Zemin tomorrow afternoon, Mr Chirac is expected to preside over an intergovernmental agreement on the environment.

French exports ride on backs of politicians

There is a sense among European businessmen in China that their operations proceed pretty smoothly until politicians back home interfere and foul things up.

In the case of France's relationship with China, however, the perception is arguably the reverse.

Over the years, French politicians have proved adept at securing lucrative deals, but, left to their own devices, the country's businessmen have had a patchy record in China.

The French in China: laggards



Korea. France accounted for 0.8 per cent of investment in China in 1995, well behind the UK and Germany.

Mr Chirac, on his longest visit to a single country since becoming president in 1995, wants to see French exports to rise to 6 per cent of China's total trade and a bundle of contracts to be signed tomorrow should lift the figures for 1997.

Beyond the signing ceremonies, Mr Chirac the salesman will be lobbying the Chinese on behalf of GEC-

Alsthom's bid for at least some of the 14 power units, including turbines and generators, that will serve the \$30bn Three Gorges dam.

The pattern is familiar. While most foreign dignitaries expect visits to China to be accompanied by high-profile deals, France's leaders have a history of generating business.

After President Mitterrand's visit in 1983, Framatome, the French nuclear reactor supplier, won the contract to supply

the 1,800MW Daya Bay complex north-east of Hong Kong, still regarded by French commercial officials as "the most successful French deal in China". Following Prime Minister Edouard Balladur's trip in 1994, Framatome won part of the contract for the reactors to another 1,800MW facility at nearby Ling Ao.

Politics has not always been kind to French businesses. During the Mitterrand years, confrontation over human rights abuses,

notably France's outspoken stand following the Tiananmen massacre in 1989, hurt business. Nor did the deal five years ago to sell Mirage fighter jets to Taiwan win the French favour in Beijing, which regards the island as a renegade province.

There have been some notable successes. For example, Alcatel, the telecoms equipment supplier, has built strong market share regardless of the sometimes stormy relationship between Paris and Beijing.

But the record in general has not been inspiring. Peugeot, the French carmaker, is poised to withdraw from its disastrous joint venture in Guangdong in southern China, having taken a minority stake and then struggled to control the enterprise in a fiercely competitive car market.

Elf Aquitaine, in spite of recent ventures in China, is still known for having presided over one of the most dramatic withdrawals in planned years, pulling out of a recent \$2.5bn Shanghai oil refinery in the light of soaring costs.

French officials believe

medium-sized businesses as well as big one-off contracts could raise France's performance in China. "There is a problem of the willingness of French enterprises to come to China. It is far away. The language is difficult. And, perhaps, they have less dynamism than other European businessmen," says a French diplomat.

The broader problem though is political. As one rival European official observes: "The French often do not seem capable of standing up without some political help. They rely too heavily on concessional finance. They rely on high-level diplomacy. And that means that when relations are good, so is business."

Mr Chirac's visit will almost certainly be heralded as a boost to France's business interests in China, as the French president squeezes what he calls the "privileged partnership" for commercial results. What will matter, though, is corporate France's performance after he has gone.

James Harding

ASIA-PACIFIC NEWS DIGEST

HK warning on bank computers

Almost half of Hong Kong's banks have not made plans to prepare for potential computer malfunctions at the arrival of the year 2000, according to a survey by the Hong Kong Monetary Authority, the territory's banking industry regulator. Mr David Carse, deputy chief executive, urged banking executives to take action. "There is no magic solution and you need to deal with it now," he said. "Everybody faces the same deadline and is competing for scarce resources to put the problem right," he said.

When the year 2000 begins computers that have not been programmed to recognise the new date will malfunction. He warned that in addition to disruption and losses, banks could be exposed to law suits.

According to the HKMA survey, only 29 per cent of banking institutions have already taken the measures needed for the date change at the end of the century.

Mr Carse said there may have to be formal action under the banking ordinance. "We have the legal powers if necessary to enforce action on authorised institutions," he said. "The issue is one of continuing your business after the year 2000."

John Riddings, Hong Kong

Japanese machinery purchases

Japanese companies spent 0.1 per cent more on machinery in March than they did in the same month last year, and are set to increase their purchases further over the next few months, on the evidence of official data released yesterday. The latest government survey of machinery spending, an advance indicator of general corporate capital investment six to nine months ahead, appears to support the view of many equity investors that the Japanese economy is standing up better than expected to a recent rise in sales tax.

Machinery orders are forecast to rise by 4.5 per cent from the three months ending in January to the current quarter ending in June, according to a survey of 300 large companies by the Economic Planning Agency. This comes after a 7 per cent decline in orders in the three months to March by comparison with the previous quarter. "The basic trend of continuing increases has not changed," said an EPA official.

William Dawkins, Tokyo

China warning on Spratlys

The war of words between Manila and Beijing over the Spratly islands escalated yesterday as China warned that raising a Philippine flag on a disputed island was "a serious violation" of its sovereignty. Mr Hao Yinbiao, Chinese embassy spokesman, said Beijing's sovereignty over Scarborough shoal was not disputed by the international community. "Actions of the Philippine side have constituted a serious violation of China's territorial integrity," he said. Mr Hao said China was engaged in "joint international amateur radio exploration activities" on the island.

Justin Marozzi, Manila

Canberra to repay A\$5bn debt

By Nikkai Tait in Canberra

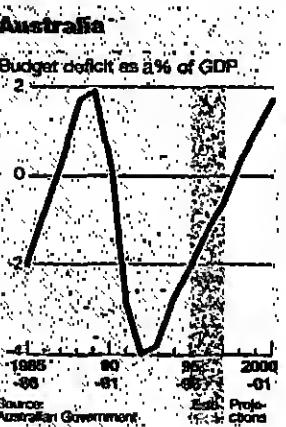
The Australian federal government yesterday announced plans to repay A\$5.2bn (US\$4bn) of debt over the coming financial year, saying A\$10bn-plus of privatisation receipts should push its budget finances to a A\$6.4bn "headline" surplus in 1997-98.

It will be the first time since the late 1980s that the country's debt position has not increased.

In its second budget since winning office, Australia's conservative federal government said it expected to have no net borrowing requirement through to the turn of the century. It expected total debt repaid over the next four years would be almost A\$26bn.

Federal government debt as a portion of gross domestic product would drop from 19 per cent in 1995-96 to about 10.5 per cent by 2000-01.

Mr Peter Costello, federal treasurer, claimed the privatisation programme and associated borrowing repayments would "free future



Australians from debt and the debt servicing costs that threatened to choke them.

"By paying our way... our prospects are getting brighter and our opportunities greater," he told federal parliament last night.

The government's strategy was immediately attacked by the Labor opposition, which claimed it was a budget "by accountants, for accountants - and nothing to do with people".

Mr Gareth Evans, shadow treasurer, hammered in on the "lack of attention" to Aus-

tralia's unemployment problem. "The government knows you can't do anything about unemployment unless growth is over 4 per cent," he said. "This is the most directionless, complacent budget I've ever seen, in doing nothing about the nation's biggest problem."

The budget forecasts point to an improvement in the economy in the next financial year, with growth predicted to reach 3.75 per cent in 1997-98, largely because of higher private consumption spending, against about 2.5 per cent now. Inflation should remain modest, the headline rate at just 1 per cent.

But unemployment will probably remain high, with the jobless rate forecast to stand at about 8 per cent by mid-1998, against 8.8 per cent at present.

Continued growth in business investment is forecast, though slower overall than in 1997-98, with no improvement seen for the current account deficit, expected to reach A\$2.1bn, or about 4 per cent of GDP, in the next financial year.

The government said its "underlying" deficit in the current 1996-97 financial year should be about A\$6.9bn, compared with the A\$5.6bn forecast at the time of the last budget, though asset sale proceeds and a special dividend from Telstra, the government-owned telecoms group, should mean a tiny "headline" surplus of A\$900m.

By 1997-98, privatisation proceeds would swell to A\$10.3bn, because of proceeds from airport and rail sales and partial privatisation of Telstra.

Coupled with some relatively modest extra outlay savings announced yesterday, partly from health and pharmaceutical payments, and the replacement of the former Labor government's superannuation plan with a much cheaper savings rebate scheme, this should leave an underlying deficit of A\$3.9bn in 1997-98, and a "headline" surplus of A\$9.4bn.

These new savings would then be sufficient to ensure an underlying surplus, even before privatisation receipts, of A\$1.6bn by 1998-99.

Collapse of Texas Instruments deal an isolated case, says minister

Thai hi-tech plans 'on course'

By Peter Montagnon in Fukuoka, Japan

The collapse of the \$1.4bn partnership between Alphatec of Thailand and Texas Instruments to establish electronics plants in Thailand is an isolated case which does not threaten the country's efforts to upgrade its industry and expand its high-value-added exports, the finance minister said.

Alphatec blamed the break-up of its partnership at the end of last week on Thailand's economic slowdown and resulting financial crisis. Mr Charn Uswachoke, its president, said banks' losses on property development were making them more careful about all forms of lending. He called on the Thai government to take a more interventionist approach, like that of Singapore, in promoting high technology industry.

But Mr Amnuay said in an interview during the annual meeting of the Asian Development Bank in Fukuoka,

The Thai government must make further budget cuts or raise taxes this year, to avoid the country's first budget deficit in more than a decade, Thailand's central bank governor said yesterday. Ted Bardacke reports from Bangkok. Mr Rengchai Marakonond said a deficit, projected at about B200m (\$770m) even after an emergency round of budget cuts earlier this year, would further shake investor confidence, especially now he expected growth to be no more than 6

Japan, that there was no need for any policy switch. Alphatec's problems arose because its financial needs were simply too large for Thailand's markets. "Alphatec may have to slow down its expansion and seek a new partner," he said. "They have to blame someone if they cannot raise funds, but I would argue that it's not a crisis."

Mr Amnuay pointed to IBM's expansion in Thailand

per cent this year. "Our economy is still in a transitional step toward stability. To maintain that stability, we need to keep fiscal discipline," Mr Rengchai declared. He would meet Gen Chavalit Yongchaiyudh, the prime minister, tomorrow to discuss the matter. Analysts say Gen Chavalit will have a hard time convincing his coalition partners to accept further spending cuts. But a budget deficit would be likely to trigger a no-confidence motion in July.

which was set to generate exports of over \$3bn in the next three years as evidence the country was successfully promoting technological advance. Thailand was also strong in automotive parts which required high technology, he said, and multinationals were not short of funds for investment.

General Chavalit Yongchaiyudh, prime minister, announced that he might take a more active role in

managing the economy in the wake of the Alphatec development, with possibly a reduced role for Mr Amnuay. But the finance minister said the reports were distorted. Thailand "was 'on tour' with its policy to promote economic adjustment while maintaining reasonable growth," he added. The property lending crisis was past its worst because banks had taken account of the lower prices likely to be achieved as more property came on to the market. Short-term debt had fallen to 43 per cent of total foreign debt from a peak of nearly 50 per cent. Thailand's foreign debt is \$87bn.

Mr Amnuay said that, thanks to repurchase arrangements with other central banks, Thailand could muster an additional \$40bn to \$50bn to defend its currency, the baht, against speculative attack. This was on top of its foreign exchange reserves of \$40bn. Foreign exchange dealers believe this puts him in a strong position to defend the currency.

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LEGAL NOTICES

NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENTS VI N.V.

Notice of the Annual Meeting of Shareholders of MLH Realty Investments VI N.V. (the "Company") is hereby given. The meeting is to take place at 10:00 a.m. on May 30, 1997, at the registered office of the Company, 14, John B. Goodingweg, Curaçao, Netherlands Antilles. The agenda of the meeting is set forth below.

AGENDA

Annual Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

- Report by Board of Supervisory Directors on the course of business of the Company and on the administration conducted during the fiscal year ended November 30, 1996 and the month ended December 31, 1996.
- Discharge and subsequent re-election of Mr. Jack A. Cusack as a member of the Board of Supervisory Directors.
- Confirmation of the resignation and discharge of Mr. Thomas J. Brown as a member of the Board of Supervisory Directors as per January 31, 1997.
- Confirmation of the resignation and discharge of Mr. D. Bruce Branson as a member of the Board of Supervisory Directors as per May 1, 1997.
- Election of Mr. Robert F. Aufmeyer and Mr. James V. Caruso as members of the Board of Supervisory Directors as per the date of the meeting.
- Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1996 and the month ended December 31, 1996.
- Presentation of the Net Result of the fiscal year ended November 30, 1996 and the month ended December 31, 1996.
- Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the fiscal year ended November 30, 1996 and the month ended December 31, 1996 and as presented in the report of the accounting firm of Ernst & Young LLP dated February 14, 1997.
- Discharge and subsequent re-election of the Board of Managing Directors.
- Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvonente Corporation N.V., authorizing Yvonente Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvonente Corporation N.V., 14, John B. Goodingweg, Curaçao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvonente Corporation N.V. as to the voting of their shares by writing to Yvonente Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.

By: Mees Pierson Trust (Curaçao) N.V.
Managing Director

NOTICE TO HOLDERS OF 11-1/2% SERIES A BONDS AND SERIES B BONDS ISSUED BY MLH REALTY INVESTMENTS VI N.V.

A recent review of the allocations of principal and interest payments between Series A and Series B bond holders has revealed a slight over allocation of principal payments to Series B bond holders. Series A investors received \$6.11 more interest and \$6.11 less principal than previously reported, while Series B investors received \$1.67 more principal and \$1.67 less interest than previously reported. As a result, since February 15, 1996, Series A bonds have been accruing interest at a higher per-bond rate than Series B bonds. The remaining real estate investment of MLH Income Realty (formerly VI (the "Company")) does not currently generate cash flow and it is expected that the Company will not receive further distributions until this last property is sold. Accordingly, upon any final distribution by the Partnership, the Company will calculate and pay to the Series A and Series B bond holders, to the extent assets of the Company are available, a final adjusted bond interest payment and final adjusted bond principal payment, in a manner consistent with the foregoing reallocation.

By: MLH Realty Investments VI (A) N.V., Inc.
(a wholly-owned subsidiary of the Company)

LEGAL NOTICES

KINGSCROFT INSURANCE COMPANY LIMITED

(formerly Kraft Insurance Company Limited, Dart and Kraft Insurance Company Limited, and Dart Insurance Company Limited)

and

WALBROOK INSURANCE COMPANY LIMITED

and

EL PASO INSURANCE COMPANY LIMITED

and

LIME STREET INSURANCE COMPANY LIMITED

(formerly Louisville Insurance Company Limited)

and

MUTUAL REINSURANCE COMPANY LIMITED

(the "KWELM companies")

Notice is hereby given that the third ANNUAL MEETING of the Scheme Creditors of the KWELM companies convened pursuant to clause 8.1 of the Scheme of Arrangement (the "Arrangement") will be held at 2.30 pm (Eastern Standard Time) on Thursday 26 June 1997 at The Alvin Room, 5th Floor, New York Marriott Marquis, 1535 Broadway, New York, New York 10036, USA. The Scheme Administrators' report on the conduct of the affairs of the KWELM companies for the year to 31 December 1996 shall be laid before the meeting.

Scheme Creditors may attend in person (or, if a corporation, by a duly authorised representative) or they may appoint another person, whether a Scheme Creditor or not, as their representative to attend in their place. Forms of representation for use at the said meeting, copies of the Scheme Administrators' report and the Arrangement document incorporating the terms of the Arrangement are available on request to the Scheme Administrators at the address set out below.

Dated this day 13 May 1997

CJ Hughes and IDS Bond
Scheme Administrators
of the KWELM companies

Address for correspondence:
Punnett Court
London EC4A 3HT,
United Kingdom
Telephone + 44 171 583 5000
Fax + 44 171 212 6708

Note

A London meeting of the Scheme Creditors of the KWELM companies will be held at 2.00pm on Thursday 3 July 1997 at the Coopers & Lybrand Training Centre, 2-3 Bloomsbury Square, London WC1A 2RL, United Kingdom, for creditors unable to travel to New York.

حکومت الرشید

'Domestic spending is growing too quickly'

Central bank looks to early rates rise

By Robert Chote,
Economics Editor

The newly independent Bank of England warned yesterday that UK interest rates would need to rise in coming months, as it argued that domestic spending was growing too quickly to keep inflation under control.

The Bank adopted a hawkish tone in its latest quarterly Inflation Report, the first since the Bank was granted "operational responsibility" for setting interest rates last week.

"Unless the rate of domestic demand expansion is moderated soon, there will be a real threat to the inflation target over the medium term", the Bank said.

The report said last week's quarter-point rise in rates to 6.25 per cent was a step in the right direction, but added: "There is still likely to be a need for some further moderate tightening of policy in the months ahead".

From next month, interest rates will be set by a new monetary policy committee at the Bank. At present it

consists of the governor and deputy-governor, plus the executive directors responsible for monetary policy and market operations. Four "recognised experts" will be named to join it in the next few days, with a new deputy-governor added after independence has been enshrined in legislation.

Mr Mervyn King, the Bank's chief economist, promised there would be no cabal of Bank insiders to stitch up interest rate decisions. He added that the inflation report would in future have to reflect the collective view of the policy committee.

The Bank expects underlying inflation - excluding mortgage interest payments - to fall in coming months, ending the year within the government's target range of 2.5 per cent or below. But inflation is then expected to pick up, rising to about 3 per cent by mid 1999.

Inflation is expected to fall in the short term because of the 16.5 per cent rise in sterling since last August, which cuts import prices and sub-

duces demand for exports. But then strong growth in domestic demand - especially consumer spending - should dominate.

Mr King warned that the strength of sterling had created an imbalance within the economy, with services growing strongly and manufacturing - which is more exposed to international competition - faring relatively badly. "Higher interest rates would dampen domestic demand, but if they led to a further appreciation of sterling, would worsen the imbalance", the report said.

"The strongly-worded message on the inflation outlook constitutes a coded warning to Mr Gordon Brown, the chancellor, to use the forthcoming mini-Budget package as an opportunity to tighten fiscal policy", said Mr Alex Garrard, at UBS, the Swiss investment bank. Financial markets showed little reaction to the report. The pound ended 0.3 points higher at 98.8 per cent of its 1990 value.

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Page 13; Lex, Page 14



Roderick Allison: staff had not been trained adequately

Eurotunnel ordered to improve train safety

By Charles Batchelor,
Transport Correspondent

Anglo-French authority calls for 36 changes to procedures after fire

Eurotunnel, the company which operates the Channel tunnel between England and France, was yesterday ordered to tighten up its safety procedures. The order came after a highly critical official inquiry into the tunnel fire of last November found "fundamental weaknesses" in the company's safety management.

The Anglo-French safety authority made 36 recommendations for improving safety in the tunnel and called for the company to correct these weaknesses "at the highest level". But it stopped short of ordering any changes in the controversial open-lattice design of the freight shuttle wagons involved in the fire.

This prompted a renewed call from the Fire Brigades Union for a ban on the wagons. Mr Jeremy Beech, the chief fire officer for the southern county of Kent - the main port of Dover is near the English end of the tunnel - and a member of the authority, said: "If we were starting with a clean sheet, I would prefer to have an enclosed design."

Thirty-one truck drivers and three train crew had to be led to safety through smoke after the fire broke out on November 18. Tunnel services have been restricted since then and freight shuttles banned. The total cost of repairs and lost revenues is put at more than £300m (£324.00m).

The key recommendations made by the authority are: Eurotunnel should abandon its policy of driving burning trains out of the tunnel so they can be extinguished more quickly.

It should test the truck drivers' coach and locomotive to ensure they are smokeproof.

Eurotunnel should improve staff training to cope with emergencies.

The go-ahead to resume freight shuttle services will depend on the approval of the Anglo-French inter-governmental commission

which oversees the tunnel, said Mr Roderick Allison, chairman of the safety authority.

The report reveals that emergency exercises held just before the fire had uncovered delays in fire alert procedures, and that when the fire broke out five of the first six fire detectors in the tunnel only gave "unconfirmed" alarms despite witnesses seeing flames before the train entered the tunnel.

Mr Allison said: "The incident was more serious than it should have been because the emergency procedures were too complex and demanding, and the staff on duty had not been adequately trained."

Mr John Prescott, deputy prime minister, called the report "an indictment of poor operating procedures and practices. I expect the company to implement [the recommendations] promptly and in full."

Eurotunnel, which last month unveiled a 10-point programme to improve safety, said: "We accept the main thrust of the safety authority's report. It hopes to restart a commercial service on June 15.

UK NEWS DIGEST

GEC Alsthom wins train order

South West Trains, the train operating company owned by the Stagecoach bus group, yesterday ordered 30 new four-car units from GEC Alsthom at a cost of more than £90m (£145.8m). GEC Alsthom is a 50-50 joint venture between Alcatel of France and General Electric Company of the UK. This is the fourth rolling stock order to be placed since rail privatisation and confirms the growing momentum of new train orders following a gap of nearly three years while British Rail, the former state network, was sold. The new trains will be financed by Porterbrook Leasing, the rolling stock leasing company acquired last July by Stagecoach.

The order is the second to be won by GEC Alsthom. It follows a £100m contract to supply and maintain eight eight-car trains for Gatwick Express won last month. The London, Tilbury & Southend line has placed a £200m order for 44 new trains while Chiltern Railways paid £34m for four three-car trains. Both of these contracts were won by Adtranz, ABB Daimler-Benz, the Swiss-Swedish-German group.

Charles Batchelor

INVESTMENTS

Agricultural land tops league

Farmland was the best performing class of investment for the third year running in 1996, outpacing shares, gilts (government bonds) and commercial property, Savills, the property consultants, reports today. Farmland let to tenants produced a total return of 22.2 per cent, giving an annualised return of 17 per cent a year over the past five years.

"This has made it a superior investment to commercial property, equities and gilts over that period," said Mr Jim Ward, head of agricultural research at Savills.

The driving force behind last year's performance was an increase of 11.4 per cent in farm rents, underpinned by good harvests and high cereal prices, which pushed up the value of arable farms. Mr Justin Marking, head of Savills agricultural agency, said financial institutions had cut their investments in farmland from a peak of 240,000 ha in the mid 1980s to 88,000 ha, but were beginning to show interest again.

Alison Maitland

MACHINE TOOLS

High pound 'likely to hit exports'

The strong pound is likely to reduce exports of UK-made machine tools by nearly 10 per cent this year, according to forecasts last night from the Machine Tool Technologies Association, the industry trade body. The new estimates underline the difficulties caused by the 17 per cent rise in sterling against main currencies over the past nine months.

The association says exports of machine tools this year are likely to total £266m, 8.8 per cent less than the £284m it was forecasting last November. The association has also reduced its forecasts for this year's UK production of machine tools. It now estimates output will be £242m, 4.3 per cent lower than the £253m it was projecting at the end of last year.

Peter Marsh

Penalties threat to pension groups

By Christopher
Brown-Humes in London

Regulators yesterday told the pensions industry to clear up the £4bn (£6.48bn) mis-selling debacle by the end of next year or face heavy fines.

The crackdown will be reinforced today when Mrs Helen Liddell, economic secretary to the Treasury, is expected to tell 20 providers with the worst mis-selling records to speed up compensation payments to as many as 500,000 victims.

The Personal Investment Authority has given 24 groups individual deadlines and said the other 3,600 firms caught up in the scandal must meet two general deadlines. It wants 90 per cent of 175,000 top priority cases to be completed by the end of this year - two years after the original deadline - and the remainder of a total of 570,000 cases completed by the end of next year.

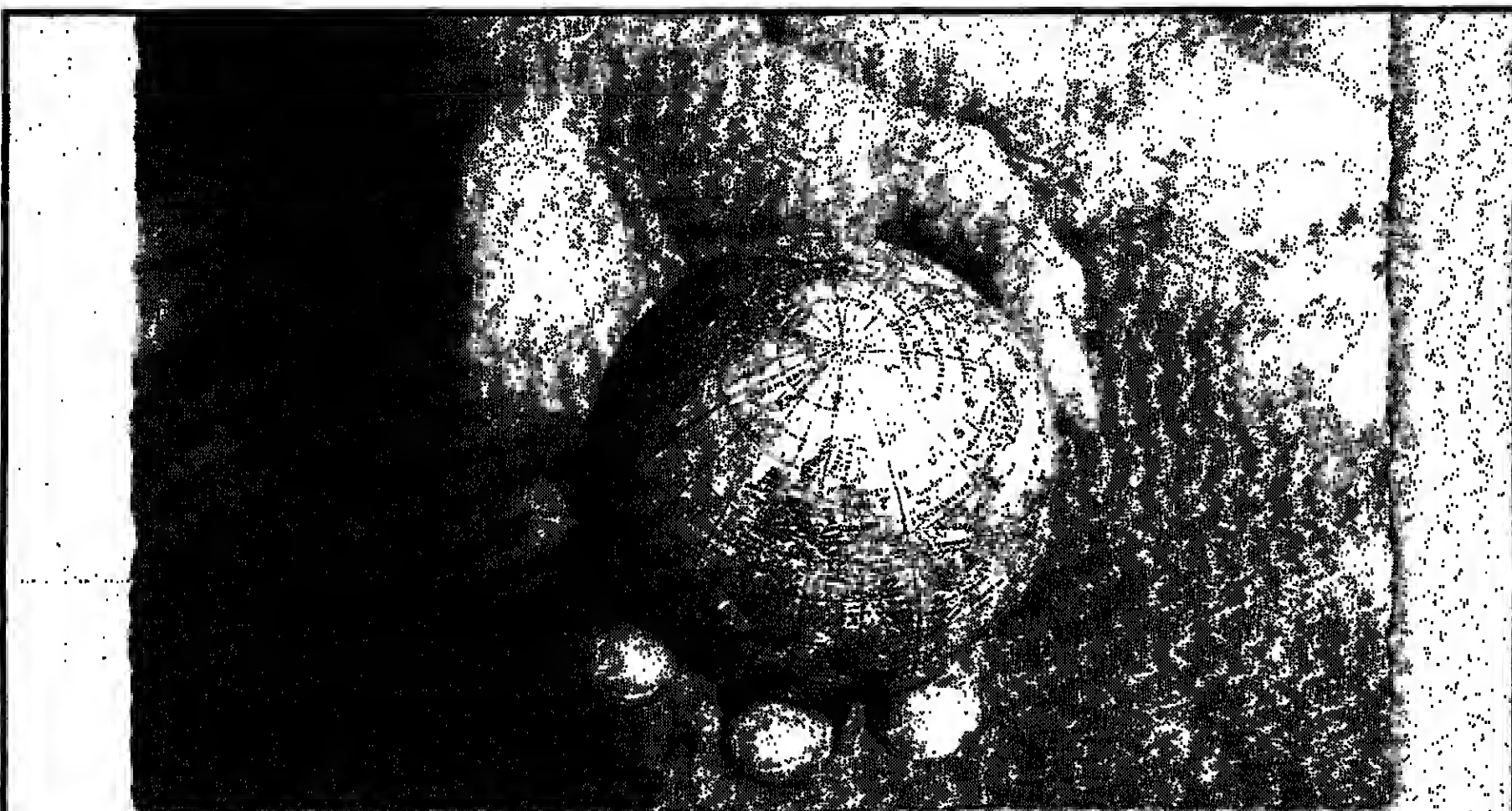
This will require much faster progress than has been the case until now. Latest figures show only 50,300 assessments have been completed, with 12,650 cases sharing £102m of compensation, an average of £8,000.

Ms Colette Bowe, PIA chief executive, said failure to meet the deadlines would lead to discipline. The fines "will be proportionate to the circumstances of the firm", but they would not be trifling amounts.

The scandal mainly involves people who were wrongly advised to leave occupational schemes for personal plans in the late 1980s and early 1990s. Attempts to clear up the mess began three years ago.

Sir Andrew Large, outgoing chairman of The Securities and Investments Board, the chief City watchdog, said: "The excuses have got to stop."

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NEWS: UK

Visiting MP denies 'security implications' of taking up offices at the House of Commons

Sinn Féin welcomes government moves

By John Kampfer,
Chief Political Correspondent

The UK government is "moving in the right direction", Mr Martin McGuinness, Sinn Féin MP and the party's chief negotiator, said yesterday. Sinn Féin is the political wing of the Irish Republican Army.

Republicans also acknowledged that little progress could be made until after the general election in the Republic of Ireland, expected on June 6, he added.

Mr McGuinness was in London visiting Ms Róisín McAlliskey, a

terrorist suspect in a London prison, who is expecting a child

"If sectarianism continues at its present level, the whole of our society will be plunged into a new nightmare of suffering and uncertainty," Archbishop Robin Eames, head of the Protestant Church of Ireland, said yesterday at its general synod in Dublin. He added:

within days. Describing her confinement as "inhuman and degrading", he said the government's approach to prisoners would be an important test. Ms McAlliskey's mother, Bernadette, the former nationalist MP, said on BBC radio she believed Britain's Labour gov-

"Are changes in the law desirable [in Northern Ireland] to give greater assistance to this process? Is the current law really geared to outlaw sectarianism?"

"Sectarianism in thought and action is encouraged by those who revel in disharmony and division,"

he went on. "It is the ultimate anti-Christian element in any society."

"Northern Ireland cannot face another summer similar to last year. History will not easily forgive anyone who encourages a repeat."

Mr McGuinness said he would travel to Westminster next week "with my honourable friend", Mr Gerry Adams, Sinn Féin president and MP for West Belfast, to seek meetings with the House of Commons authorities over the granting of offices.

He reiterated that neither he nor Mr Adams would take the oath of allegiance to the Queen, but that both of them were "entitled to be treated as first class MPs". There were, Mr McGuinness said, "no security implications".

Mr Tony Blair is expected soon to make his first visit to Northern Ireland as prime minister and to emphasise there that he regards the peace process in the region as one of his top priorities.

Ministers need to kick-start the multi-party talks on the future of Northern Ireland, due to resume on June 3, after making virtually no progress in their first year.



Geoffrey Robinson: a former chief executive of Jaguar Cars

Richest minister will steer tax on utilities' profits

By David Wighton,
Political Correspondent

Mr Geoffrey Robinson, the paymaster general, must be the wealthiest Labour minister ever. On his appointment to the government as a junior minister in the Treasury, Mr Robinson had to resign all his directorships.

He has had to give up a role at the leftwing New Statesman magazine, which he had owned for 10 years, and at TransTec, the engineering group he founded.

There have been few enough Labour politicians with any sort of business background. There have been fewer still with knowledge of manufacturing. Even more unusually, Mr Robinson has run both a big company and a small one.

The small one was his own which he set up with £5,000 in a garage in 1976. The large one was Jaguar cars before it was acquired by Ford.

Mr Robinson first came to the notice of the City of London in 1991, when he reversed his company into Central & Sherwood, a company then controlled by the publisher Robert Maxwell with his son Kevin on the board.

Robert Maxwell, himself once a Labour MP, sold out just before his death, but the company, renamed TransTec, was treated with some suspicion for while. But Mr Robinson soon shook off what City analysts dubbed the "Max factor" as did his fellow Treasury minister Mrs Helen Liddell, who worked for Maxwell in Scotland.

Given his background, which also includes a spell in an earlier Labour government's Industrial Reorganisation Corporation, Mr Robinson was the natural candidate to provide some real business experience in the Treasury.

His appointment reflects the aim of Mr Gordon Brown, the chancellor of the exchequer, to turn the Treasury from a pure finance ministry into a department focused on the needs of the real economy. "I hope the Treasury will come to be thought of being much more of this world and a much more sensible place," says

Robinson will soon hear from US owners of privatised companies

Mr Robinson, adding quickly that its reputation to the contrary is "unjustified". In the short-term, Mr Robinson has two specific jobs: steering through the "windfall" tax on the profits of privatised utilities and overseeing the previous government's faltering private finance initiative, intended to attract private finance to public projects.

He wasted no time launching last week's review of the institutional structure of the PFI, which included the controversial sacking of Mr Alister Ross Goobey as chairman of the private finance panel.

Yesterday, Mr Robinson made his first public move on the windfall tax by formally inviting utility companies to make representations on the operation of the levy.

Some of the companies have questioned whether the government was serious about consultation, given the indications that the Budget could be as soon as June 10. Mr Robinson yesterday set a deadline of the end of May for submissions, which would hardly leave the government time to adjust its proposals. "They will have to make their representations effectively and quickly," says Mr Robinson. "After all, they have had plenty of time to prepare them."

Another source of irritation, particularly among the US groups that acquired UK electricity companies, is that the total amount the tax is expected to raise appears to have increased. One corporate adviser says: "When most of the acquisitions were made the Americans were being warned there would be a tax of about £3bn. Now there is talk of between £5bn and £10bn." When asked whether the US companies would have a legitimate grievance, Mr Robinson declines to take the bait. "Let's wait and see how much it is," he replies.

Blair to auction many radio bands

By Robert Peston,
Political Editor

Mr Tony Blair, the prime minister, will today reinforce his claim to be governing without reference to party dogma when he adopts the defeated Conservative party's election manifesto commitment to auction parts of the radio spectrum.

One of 28 bills to be announced in today's Queen's Speech, opening the Labour government's first legislative session, will be a measure to raise an estimated £1bn (£1.62bn) from introducing commercial pricing for the use of radio waves by mobile phones, pager and cab companies.

An official at the prime minister's office said that the government expected to raise £1bn over 10 years from the move. This is based on yields from a similar sell-off in the US, where the government has raised more than \$20bn from a similar privatisation initiative.

The idea of charging a competitive price for use of the radio spectrum was first put forward in March by Mr Ian Lang, then chief industry minister in the Conservative government. It was included as a promise in the

Conservative manifesto, but there was no explicit mention in Labour's.

Under the proposal, companies seeking to provide radio-based services would bid for frequencies under a leasing arrangement. Broadcasters would not be affected.

Under current licensing arrangements, the price charged for use of a particular part of the spectrum reflects government costs rather than market value. Officials said yesterday that mobile phone companies' overheads were likely to rise by a weekly amount of 10p per mobile phone. But they did not expect this to be passed on in full to consumers.

"We think competition in the industry will protect consumers," one said.

In urban centres, where there is intense competition for business between cab companies - and use of the spectrum has a higher potential market price - the running costs of an individual taxi-driver could increase by £20 a week.

Existing licences awarded to mobile telephone network operators would remain valid, but would be auctioned when they expired.

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حکومت الرشید

Television/Christopher Dunkley

Guilty of serial crime

The bad news is that British television is creating yet more 60-minute crime serials, the worst culprit being ITV. Neither stern warnings from the Independent Television Commission nor ridicule and contempt from the critics seem to have any effect. This is hardly surprising, perhaps, given that ITV is now run by people whose background is in accountancy rather than programme-making. Since the number of viewers willing to watch yet another crime-busting farago is large enough to keep the advertisers more-or-less happy, nobody in the upper echelons of ITV is going to allow imagination, originality, or freshness to interfere with business.

So having filled the nine o'clock slot on Sundays with the law enforcers from *Criminals and Excess* in *The Knock*, ITV has decided to fill the nine o'clock slot on Thursdays with *Bodyguards*, which describes itself as "an action-drama series about a team of police bodyguards". Last week's episode offered us a ludicrous yarn about a Chicago-style gang of armed teenagers terrorising a London boy who had witnessed the killing of a clergyman. The hooded youths, advancing like Royal Marine Commandos, used a JCB to smash their way into "What we call a concealed safe house" where the shapely young gun-toting female agent watched over the nervous witness. The picture conveyed, complete with fierce

gun battle, was closer to the world of Marvel Comics than to the reality of life in London.

The same ITV slot on Tuesdays is occupied by *Touching Evil*, a series about a newcomer to the murder squad whose university background, belief in psychology, and faith in the psychic power of a violent head-case all set him at loggerheads with his methodical and plodding colleagues - except for the shapely young female agent, of course. Sounds familiar? It is formula writing of a sort that we now know well, which is only to be expected since writer Paul Abbott comes to this series from *Cracker*.

True, on other nights of the week ITV fills this slot with dramas that are not about crime: on Mondays *Bramwell* which projects late-20th century feminist preoccupations onto medical scenes of a previous age; on Wednesdays *Sharpe* in which Sean Bean fights and, er, loves his way through the Napoleonic wars, last week firing gold coins into the ranks of the enemy to distract and reduce the numbers; and on Friday *The Grand* which borrows

half its ideas (including a pastiche of the signature tune) from *Upstairs, Downstairs* and the other half from *The Duchess of Duke Street*. All are proficient, all pass the time, all are about as memorable as the books of Georgette Heyer or Barbara Cartland, and deserve about the same amount of notice from this page.

The good news is that not all other terrestrial schedulers, the BBC and Channel 4, are making efforts in this area. *Jonathan Creek*, launched on BBC1 on Saturday with one of those counter-productive "feature length" episodes (which means stretching things out like chewing gum) is admittedly yet another crime series, but its worst enemy would not describe it as being much like the others mentioned here. The tone is closer to that of *Moonlighting* with tongue firmly stuck in cheek, and comedians Caroline Quentin and Alan Davies in the Cybill Shepherd and Bruce Willis roles, here named Madeline and Jonathan.

He is a wimp (well, obviously, he is a man and on television, so in 1997 what else could he be?) who lives in a windmill, surrounded by posters of his heroes such as Houdini, his job being inventor for a magician. As such he is a whiz with anything involving illusions, particularly the sort where people disappear in one place and reappear magically in another, an expertise which equips him ideally for solving locked room mysteries and the like. She is tough, funny and brave (well, obviously, she is a woman and on television, so...) and is a journalist or a novelist or at any rate some sort of writer about crime when, of course, becomes involved in solving real crimes... well, completely unrealistic real crimes.

This is not sitcom, but it is written by David Renton who created *One Foot in the Grave*. When the police go to arrest their suspect in a cinema they avoid commotion by holding under his nose a board saying "Stephen Grismal". When he nods they swap it for a second board announcing "You're nicked". In the interrogation room

Grismal stands on his dignity and demands his right to consult an investigative journalist. The drop-dead gorgeous blonde who models in the nude for the murdered artist says with wide-eyed wonder "D'you know, the minute I took off my clothes I could feel he was attracted to me". And when our heroine wants to impersonate a television director she announces herself as "Madeline Magellan with Mad Cow Productions for Channel 4". It was irritating that the solution to the opening mystery involved the impossible (a woman with her hands tied behind her back managing to fix a revolver to her feet with rubber bands) yet *Jonathan Creek* looks like being great fun.

Channel 4's five-part serial *Melissa* is more difficult to assess. Expanded by Alan Bleasdale from a 1964 thriller by Francis Durbridge about a sequence of murders in South Africa and London, it looked in the early stages on Monday and Tuesday nights like an unhappy combination. Instead of cooking up into a rich, unified confection, the ingredients were remaining stub-

bornly distinct: occasional bits of Durbridge whodunnit separated by longer and longer elements of Bleasdale dialogue and character building. With tonight's episode it begins to feel like pure Bleasdale. We start to understand the characters and their relationships and the skeletons begin to tumble out of the cupboards of this tightly connected group of effete but increasingly interesting people.

However, since we are told that these three episodes are, in effect, a "prequel" and that the real Durbridge story only emerges in the final two, to be screened next Monday and Tuesday, it is impossible to judge yet whether the entire package will prove a success. At this stage, with the familiar whiff of vintage Bleasdale growing stronger - the pleasingly authentic complexity of the characters, with those inherent inconsistencies and even contradictions which you observe all the time to real people - you wonder why he bothered to take someone else's plot as his matrix. Bleasdale has said he was a great admirer of Durbridge's television work in the 1960s, but is that really reason enough for this somewhat peculiar arrangement? We shall see. But even if the plotting turns out to be unsatisfactory we already know that there are other qualities here which confirm the poverty of so much of that nine o'clock drama elsewhere, as though confirmation were needed.

Musical

Pulp slickness

Those who believe that the modern musical is a serious form of artistic expression may wish to visit *The Fix*, a new musical being presented at the Donmar Warehouse in association with Cameron Mackintosh. Written by two Americans, John Dempsey (book and lyrics) and Dana P. Rowe (music), it had been completed less than three months, had been sent to Sam Mendes, the Donmar's artistic director, and to Mackintosh only one week, when plans were put in motion to stage it. The staging is good and *The Fix* is skilful, efficient, energetic, tough. I only wish I could like it.

To those of us who believe, however, that the musical has long been a synthetic genre, *The Fix* is merely the latest in an overlong line. It is by no means the worst and the Donmar staging does it proud, but this, alas, is no comfort. The life of a musical lies in its music. Dana Rowe's music - frequently crafted with rare skill in matters of rhythm and harmony - is a smart series of forays into various musical idioms (rock, vaudeville, waltz, country-and-western), not one of which is made to feel fresh. Freshness is not the point of the modern musical. Where a serious work of art surprises you with the quality of your own feeling, musicals like *The Fix* aim to make you feel in ways you have felt often before.

The hero of *The Fix* is Cal Chandler, heir to an eminent American political family. His mother Violet and uncle Grahame relentlessly groom him to become governor and, they hope, president. So what if his real father was not Senator Reed Chandler but Bobby "Cracker" Barrel (a redneck)? So what if Violet drinks and Grahame is a crippled, stuttering, closet homo? *The Fix* wants us to believe that the American upper classes are every bit as corrupt as the ruling classes of the Roman empire (Cal even seduces his uncle). Hidden beneath the gloss of the music is the slick cynical spirit of unpeeled TV films and pulp novels.

When the strain is too much, Cal takes to cocaine, then to a



Glossy cynicism: John Barrowman, Philip Quast and Kathryn Evans in *The Fix*

mistress and then, with her, to heroin. Late on, however, he surprises us all by admitting his drug addiction and (in a trice) declaring political war on the drug mob. At last he is taking charge of his own destiny! But his mistress lures him back for one last rendezvous. It is a trap. The mob gun him, and then he's down.

The role of Cal might have been written for John Barrowman, with his Kennedy-esque

good looks, his handsome singing and his absence of true individuality. (It even turns the latter into a dramatic virtue of sorts.)

Philip Quast handles every aspect of poor Uncle Grahame with distinction and Kathryn Evans does splendidly by his ruthless sister-in-law Violet. One enjoys these performances as much as the slick cynicism of the material will allow. As Cal's mistress, Krystin Cummings occasionally manages something

more to burst through the glossy package with an intensity that actually seems spontaneous. The most brilliant feature of the Donmar staging is Howard Harrison's lighting. It fans, zooms, crosses, it turns the sparse stage into blazing publicity, into memory lane, into drugged nirvana. It almost transcends the pulp slickness it so perfectly expresses.

Alastair Macaulay

Theatre

Hamlet truncated

let's thoughts do not enlure. There is much to admire about Alex Jennings in the central role. His verse-speaking is exemplary and he handles all the naturalism of this production perfectly. But he is not an arresting soliloquiser. He cannot encompass us in the workings of his nervous system or in the tensions of his philosophical inquiries.

And so we observe this upper-middle-class Englishman from a distance. He has humour but not wit, dejection but not pain, education but not intelligence. It seems odd that Ophelia should call him "The courtier, soldier, scholar, eye, tongue, sword", and neither the production nor he even pretend that he is royal.

The production is full of good incidental points and shrewd decisions, none of which add up to an organic whole. The best characterisations are by David Ryall as a very Polonius, Edward Petherbridge as a husky ghost, and Richard Cant as a very amiable Rosencrantz. Paul Jesson is a

funny Gravedigger who takes the modernity of the production to its furthest extreme (singing Weill's "September Song"). Derbly Crotty handles Ophelia's madness with considerable tact, but gives a chaotic account of the earlier scenes. Diana Quick is a fakey, mannered Gertrude, and Paul Freeman a thespian Claudius whose rolled Rs clash with the style of the production.

It is not unusual to have *Hamlet* severely cut. This is, admittedly, the most amputated mainstream production that I have seen, with no Marcellus or Bernardo, no battlements, no Fortinbras, no politics - *Hamlet* with both its beginning and its end lopped off - and what is stranger is that several scenes have been reordered, to no advantage. I can welcome the fluency with which much of the action proceeds, but eventually the production is either too naturalistic or not naturalistic enough. We sense neither the passage of time, nor the pressures of state: in the absence of which such details as dipping lollipops into cocktails seems wholly extraneous. This is a little *Hamlet* for little minds, capsize amid a giant-size theatre and giant-size airconditioning.

A.M.

Royal Shakespeare Theatre, Stratford-upon-Avon. Sponsored by Citroën.

Dance

Schizoid energy

comes first, then rather sodden Mittel-Europa emotings, then a kind of factitious joy at the Beauty of the World. It is all a bit Mahlerian, and sure enough, the programme began with Jiri Kylian's view of the *Songs of a Wayfarer*. Turgid stuff, and fearfully dated.

Hans van Manen has provided two pieces for the company, of which the first is a romp for three men who skitter and zip over the stage to part of a Bach violin suite. The chaps are nippy, good-humoured, and the dance is blessedly short. The other van Manen offering is back in his well-worn territory of the battle between the sexes. A couple, Shirley Essoebom and Václav Kunes, exchange mixed feelings

to an Arvo Part score. Given the ingredients, there were few rewards in this *rechauffé*, which looks more like therapy than art.

At the centre of the evening was Johan Inger's *Sammanfall*, which amounted to nearly half an hour in the company of seven lunatics. Or rather, three women and four men behaving as the mad are usually portrayed in the dance theatre. Anguished contortions, of course, and barmy stumblings over the stage, with the occasional moment of stillness and crazed staring. Nothing else happens - except an urgent desire on my part to have done with something as spurious and cliché-ridden as this.

The evening ends with what passes for humour in these circles. *Skaz-shif* is by Paul Lightfoot, and finds three men and a woman romping to the *Thieving Magpie* overture. Ideal for those whose taste in humour runs to Little and Large.

Clement Crisp

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION
Amsterdam Historisch Museum Tel: 31-20-5231822
● Het Amsterdam van Herman Gortin: display featuring 11 paintings, one triptych and a number of etchings and drawings by the Dutch artist, commissioned by the Museum to produce work depicting Amsterdam. Also exhibited are earlier pieces by Gortin, including a portrait of Queen Beatrix; opens May 15

ATHENS

CONCERT
Athens Concert Hall Tel: 30-1-728233
● Athens State Orchestra: with conductor Byron Fidezts, soprano Martha Arapli and tenor Zachos Terzakis in works by Beethoven; May 16

BERLIN

DANCE
Komische Oper Tel:

49-30-202600
● Takt: choreographed by Jan Linkens; May 17

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Die Meistersinger von Nürnberg: by Wagner. Conducted by Rafael Frühbeck de Burgos. Soloists include Wolfgang Brendel, Reinhard Hagen, David Griffith and Barry McDaniel; May 18

BRUSSELS

CONCERT
Palais des Beaux-Arts Tel: 32-2-5078200
● Orchestre Symphonique de la Monnaie: with conductor Antonio Pappano and soprano Katarina Dalayman in works by Beethoven; May 18

DUBLIN

CONCERT
National Concert Hall Tel: 353-1-6711888
● Midori: performance by the violinist accompanied by pianist Robert McDonald. The programme includes works by Schubert, Enescu, Kreisler and Franck; May 18

LEWES

OPERA
Glyndebourne Opera Festival Tel: 44-1273-812321
● Manon Lescaut: by Puccini. Conducted by John Eliot Gardiner. Soloists include Adina Nitescu and Patrick Dorniston.

The opening performance of the 1997 Glyndebourne Opera Festival; May 18

LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● Nicole and Alexandra Bibby: the pianists perform works by Stravinsky, Jackson, Saint-Saëns, Milhaud, Copland, Debussy and Rachmaninov; May 18
Royal Festival Hall Tel: 44-171-9604242
● Royal Philharmonic Orchestra: with conductor David Coleman and violinist Erich Gruenberg in works by Rossini, Bruch and Beethoven; May 18
Wigmore Hall Tel: 44-171-9352141
● Peter Frank: performance by the pianist, accompanied by violinist Gergy Pauk and cellist Ralph Krushbaum. The programme includes works by Brahms, Carter and Beethoven; May 17

EXHIBITION
British Museum Tel: 44-171-6361555
● Styles of Japanese Porcelain and Pottery: exhibition tracing styles of Japanese ceramics from pre-history until the present day. The display covers the early influences of Chinese and Korean pottery, the first Japanese porcelain from the 17th century and decorative pottery from the 1800s; opens May 15

MANCHESTER

CONCERT

The Bridgewater Hall Tel: 44-161-9600000
● James Galway: performance by the flautist, accompanied by pianist Philip Moll. The programme includes works by Martinu, Vidor, Doppler, Faure and Bruckner; May 18

MUNICH

OPERA
Cuvillies-Theater - Alte Residenztheater Tel: 49-89-296836
● Carmen: by Bizet. Conducted by Jacques Delacôte and performed by the Bayerische Staatsoper. Soloists include Maurizio Mura, Caroline Maria Petry and Anne Salvan; from May 17 to Jun 2

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-8755050
● Bang on a Can All-Stars: perform works by Dolden, Wolfe and Padgett. Part of the Bang on a Can Marathon. The programme also features performances by the String Trio of New York, the Cassett Quartet, the Scott Johnson Ensemble and Pulea Percussion; May 18

EXHIBITION
Cooper-Hewitt National Design Museum Tel: 1-212-880-8883
● Design: Italian Renaissance Designs for the Decorative Arts: exhibition examining the Renaissance concept of design: a term linking the process of design and the actual physical act

of drawing. On view are sketches, detail studies, alternative designs, presentation drawings and finished objects by Romano, Bandinelli, de Modena and Gentile; to May 18

PARIS

CONCERT
Cité de la Musique Tel: 33-1-44 84 45 00
● Students of the Conservatoire de Paris: with conductor Stéphane Denève perform works by Schubert and Brahms; May 18
Théâtre des Champs-Élysées Tel: 33-1-49 52 50 00
● Orchestre National de France: with conductor Christoph Perick, violinist Joshua Bell and cellist Stephen Isserlis in works by Brahms; May 15

EXHIBITION
Galerie Nationales du Grand Palais Tel: 33-1-44 13 17 17
● Paris-Bruxelles/Bruxelles-Paris: exhibition focusing on the artistic relation and exchange between Belgium and France from 1848 to 1914. Attention is paid to both visual and decorative arts, architecture, literature and music, ranging in styles from Realism and Impressionism to Symbolism and Art Nouveau; to Jul 14

ROME

DANCE
Teatro dell'Opera di Roma Tel: 39-6-481601
● Orlando: choreographed by Robert North to music by Sergio

Rendine; May 17, 18

STUTTGART

EXHIBITION
Staatgalerie Stuttgart Tel: 49-714-2124050
● Gegenwart - Die Diagonale als Bildstruktur: exhibition featuring 40 graphic works by artists including Kandinsky and Hans Baldung; from May 17 to Sep 14

VENICE

OPERA
Gran Teatro la Fenice Tel: 39-41-788511
● Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella, performed by the Orchestra e Coro del Teatro la Fenice. Soloists include Roberto Servile, Luciana Serra and Roberto Aromica; May 18

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Wiener Kammerorchester: with conductor Christopher Gayford, violinist Corey Cervosek and pianist Sebastian Kauer in works by Spohr and Mozart; May 15
Musikverein Tel: 43-1-5058881
● Krystian Zimerman: the pianist performs works by Haydn, Beethoven and Schubert; May 16

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Financial Times Business Tonight



Ian Davidson

The waiting game

The UK's wait-and-see policy on the single currency is flawed since it already has all the information it needs

The change of government in Britain has come as an enormous relief to Britain's partners in the European Union. After 18 years of foot-dragging by the increasingly Eurosceptic Conservatives, the new Labour government is trying hard to show it is keen to mend fences.

In visits to Paris and Bonn last week, Mr Robin Cook, foreign secretary, pledged to end the "sterile, negative and fruitless conflict" with the EU. This week Mr Gordon Brown, chancellor of the exchequer, told European finance ministers that the UK would work "constructively" on the single currency.

This is an enormous rhetorical improvement on the reflexive Euro-phobia of the previous Conservative government. It is not yet clear, however, whether the policy behind Labour's rhetoric really goes far enough to get Britain moving in line with its European partners.

The first and very immediate test of Labour's European policy will be the negotiations on reforms to the EU, which are supposed to be wrapped up in less than five weeks' time.

In the election campaign, the Labour party was so anxious to avoid any danger of being accused of being "soft" on Europe that it mimicked many of the Tories' Eurosceptic policies. As a result, its starting position in the negotiations will continue to be out of step on many issues with the rest of Europe.

This may not be fatal to an agreement, however, since the other member states will no doubt go to considerable lengths to do a deal if at all possible. Even if the negotiations end with Britain partly opposed to mainstream Europe, it should, with luck, be constructively opposed, rather than irreconcilably in conflict.

A more fundamental

question is how long it will take Labour to "think European". On his recent trip to Paris, Mr Cook said the UK would join France and Germany in a "triangular" leading role in the EU. This may seem an innocent - even a potentially constructive - ambition. In the context of the EU, however, it is anachronistic, tactless and stupid.

The other 12 member states have got used, over the past 47 years, to the fact of the Franco-German partnership. But they do not always like it. They would certainly resent any move by Britain to set up a Franco-German-British *directoire*. In any case, that partnership is not about to be reconstructed to accommodate Britain's belated interest in Europe.

The critical issue will be the single currency. Labour's policy is ostensibly one of "wait-and-see". The problem is that while the single currency project may well be the object of reasonable doubts and uncertainties, these cannot be resolved by any process of reason or research, at least not within the five-year life of the new parliament, and quite probably not within

the life of the parliament after that.

Wait-and-see implies that new facts will come along which will make it possible to reach a conclusion one way or another. But everything important about the single currency is already known; there will be no significant new facts, certainly no conclusive facts, for a long time to come.

Reasonable sceptics may simply be unsure whether monetary union will work and want new information which could settle their doubts. But there is nothing which will happen in the next five years, before the completion of the single currency in 2002, that will enlighten them.

And if sceptics need a decisive answer to the question: will it work? they will have to wait until well into the next century. The opening years of the single currency are likely to witness stress, turbulence and anxiety as the new system beds down, so sceptics may have to wait perhaps even until as late as 2010.

One factor could, in theory, transform the equation, and that is the French general election. The French Socialist party has said it

will only support the single currency on four conditions. It must include Italy; it must promote growth; it must include the establishment of an economic government for Europe to counterbalance the future European central bank; and it must not be too strong vis-à-vis the dollar.

Of course, the Socialists may not win the election. Last week, it looked as though they might; this week it looks less likely. Public opinion is obviously very volatile, except in the record-breaking unpopularity of the president and the government.

In principle, the terms of the single currency are set in a treaty, so the Socialists could not easily impose their conditions unilaterally. Nevertheless, a Socialist victory in France could create a new situation, in which the British Labour government might hope to re-open the debate on monetary union.

Either way, we shall know the answer to the French election on June 1. At that point, the British government will have only two rational options. It can stick with the policy of wait-and-see for the next 10 years or more. Or else, if it wants the possibility of joining the single currency within any politically useful time-frame, it can switch to a policy of commitment to *Emu* as a political objective.

This week in Brussels, Mr Brown avoided any such commitment, and claimed that Britain's option to join the single currency would not require it to rejoin the exchange rate mechanism. Legally, he may be right.

But the real test is political commitment to the objective of monetary union, including monetary and exchange-rate stability. How long did it take France to secure credibility in the markets? Exactly 10 years - from 1983 to 1993.



Mending fences: Cook has visited Paris and Bonn

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 (0)20 7779 5938 (please set fax to "fax"), e-mail: letters.editor@ft.com. Published letters are also available on the FT web site: <http://www.ft.com>. Translations may be available for letters written in the main international languages.

Hong Kong's governor prized Lee's advice on consistency

From Mr Kerry McGlynn.

Sir, In his FT interview of May 12, Mr Lee Kuan Yew reportedly says that the constitutional reforms introduced in Hong Kong by the governor, Mr Chris Patten, are at odds with the Sino-British joint declaration and the Basic Law, Hong Kong's future mini-constitution. That was not, of course, the view of all the legal experts who testified to the Commons foreign affairs select committee in 1994. Nor, interestingly, was it Mr Lee's view when the constitutional proposals were first announced.

In an interview with Hong Kong's Sunday Morning Post on October 11 1992, headlined "I don't need to make Mr Patten's job any harder. It's hard enough as it is...", Mr Lee commented

that the governor had been "very imaginative about increasing the depth of democracy" in his proposals. He added: "Very ingenious. His proposals slip into the blank spaces of the Basic Law and the joint declaration".

Two months later, in December 1992, Mr Lee had changed tack. This time he was denouncing the same proposals as an Anglo-American plot, supported by others in the international community, to infiltrate democracy into China. An ambitious game-plan indeed for what was in fact a modest attempt to produce open and fair electoral arrangements for the 60-strong legislative council of Hong Kong.

Mr Lee has now changed his position again, reproduc-

ing the Chinese government's line that the constitutional proposals, far from filling the spaces in the Basic Law and the Joint Declaration, breached both documents. We move with the times.

Mr Lee gave one piece of advice to Mr Patten when they met in July 1992. This was that the governor should set out a bold agenda for the following five years, and then keep to it, despite the undoubted pressures from all sides to ride him off it. The governor welcomed the senior minister's advocacy of the principle of consistency. He has been pleased to follow his advice.

Kerry McGlynn, Government House, Hong Kong

Mobutu aid highlights unjust debt

From Ms Ann Pettifor.

Sir, Your report on the IMF and western government lending to president Mobutu of Zaire is timely ("How Mobutu built up his \$4bn fortune", May 12).

It highlights the secretive and often illegitimate nature of much lending by international financial institutions, including the IMF and the World Bank.

You suggest that the people of Zaire "are seeking to recover what is owed to them". They are unlikely to succeed. Instead they will face a rising and perhaps unsustainable debt burden. The IMF, on behalf of western creditors, will demand repayment of the loans plus interest long after Mobutu has gone.

The Philippines is repaying loans made to Ferdinand Marcos. Ugandans are repaying loans made to Idi Amin and South Africans those made to an illegitimate, racist government.

The IMF, on behalf of the OECD creditors, can make such bad loans knowing that repayment is guaranteed. It is time for these western creditors to be exposed to the transparency, regulations and market forces that they wish on others through their loan conditions. Jubilee 2000 calls on society to recognise the co-responsibility of creditors for the unpayable and often odious debts of developing countries.

Ann Pettifor, co-ordinator, Jubilee 2000, PO Box 100, London SE1 7RT, UK

Rout of Scottish Tories does not point to overwhelming desire for devolution

From Mr Richard Mowbray.

Sir, Why does everyone assume that the rout of the Scottish Tories on May 1 indicates an overwhelming desire for devolution? As in England and Wales, the Conservatives lost because of their own incompetence, and, in a few, sleaze. Above all, the Tories lost because it was "time for a change".

First, in opinion polls after opinion polls, devolution has always ranked bottom in the list of voters' concerns, way behind unemployment, the NHS, and education.

Second, a poll just before the election indicated support for the constitutional status quo had risen to 31 per cent (from as low as 15 per cent in the recent past), yet this did little to increase Conservative support.

Third, Tony Blair has doubts about devolution. Why else did he insist on two referendums - one on the Scottish parliament itself, one on tax-raising powers - if not to take the issue out of the election campaign? If his statements during it are any indication, he would prefer that the

whole issue went away.

We Scottish Conservatives must campaign for two "no" votes. Once Gordon Brown has raised the tax burden in his Budget by reducing allowances, we should have little difficulty defeating tax-raising powers. And without them, what is the point of having a parliament at all?

Richard Mowbray, member, Glasgow Association, Conservative and Unionist Association, 14 Ancaster Drive, Glasgow G13 1ND, UK

Why pension funds do not attract income and capital tax

From Ms Ann Robinson.

Sir, There is not a "flimsy case" for the present tax credit on advance corporation tax as *Lex* asserts ("UK taxation", May 12), but a very powerful one. The case relates to the relationship between corporation tax and income tax. All taxpayers have to pay their full liability for the income tax element of corporation tax.

When a dividend is paid net of 20 per cent of the tax, a higher-rate taxpayer still owes the government 20 per cent.

Pension funds are exempt from all income and capital taxes for a very good reason. Tax will eventually be paid by individuals on the income when it arises. Were the tax to be removed, millions of individuals would, in effect,

suffer double taxation. It would fall not only on their personal investments, such as Peps, but also on their future pension provision, both final salary and money purchase schemes.

The change would not only harm individuals, it would do no good to companies. They would have to either increase pension contributions or top up their

pension funds. A change to the tax credit would have the opposite effect to that desired by reducing the amount of cash available for capital investment.

Ann Robinson, director-general, National Association of Pension Funds, 12-18 Grosvenor Gardens, London SW1W 0DH, UK

Personal View • Toyoo Gyohten

Strong yen for the euro

If Japan succeeds in its reforms, its currency will play a more important role globally

Until recently, European monetary union seems not to have awakened much interest in Japan. The main reason for this is that the Japanese have underestimated the strong political will of European Union leaders to introduce the single currency, as scheduled, on January 1 1999.

However, business, academic and government figures have gradually come to recognise the strength of EU members' commitment to reducing their government spending - in spite of the impact on their economies and the consequences for their political popularity - to start the third stage of monetary union.

Japan must also carry through its fiscal reforms with the same commitment EU leaders have shown. A survey of Japanese businesses operating in EU countries carried out by the Institute for International Monetary Affairs (IIMA) at the end of last year found mixed reactions to the single currency.

On the positive side, they believed the euro would eliminate foreign exchange risk, increase price transparency and promote the efficient distribution of resources. They expected to benefit from economies of scale and new opportunities emerging from integration. They predicted the EU economy would increase its international competitiveness.

On the other hand, there is concern among some Japanese businesses about the stability of the EU economy after monetary union.

Some countries will be more vulnerable than others under the single monetary

and exchange rate policies set by the European central bank.

National central banks under the European System for Central Banks will no longer be able to adjust their monetary and foreign exchange rate policies to suit their economic circumstances.

There will be no central fiscal authority with a substantial role in taxing or spending - so no member country can receive a fiscal transfer in a recession to stimulate a slack economy. Member countries are also required to cut government deficits under the growth and stability pact.

Some Japanese business executives argue there is a danger that economic or political instability will emerge, and that the single currency may not work well in practice.

Theoretically, the movement of labour and wage flexibility across borders will eventually solve economic disequilibrium between members of the monetary union. However, there is as yet little movement of labour, as people are discouraged to shift between countries by language and cultural barriers.

Although there is no doubt the euro can be introduced given the strong political will among EU leaders, it is not clear that monetary union can be

Over the past few years, Tokyo has seen a lessening of its position as a leading international money, capital and foreign exchange market

maintained with stability.

However, in the long run, this problem is likely to be solved - just as EU countries have overcome many obstacles in their long progression toward integration and expansion since the second world war.

If the single currency is able to achieve the necessary economic and political stability, it will play an increasingly important role as a key international currency. Some even argue the euro may threaten the status of the US dollar in the future.

However, the dollar has long fulfilled the conditions required of a leading international currency. For example, prices in the US have been very stable - as have effective exchange rates of the dollar.

The US has the largest economy and international trade and the most developed financial markets in the world. It is thus very unlikely that the euro will replace the role of the US dollar in a short time.

It is more likely to be the Japanese yen that could be affected if the euro - backed by expanded and more efficient financial markets - establishes its status as a leading international currency. Given such powerful competition, the yen's failure to "internationalise" itself could mean a diminished role.

Over the past few years, Tokyo has already seen a lessening of its position as one of the leading international money, capital and foreign exchange markets.

In November 1996, the Japanese government announced an extensive plan - the so-called "Big Bang" - to reform its financial services industry. Reform will centre on three elements: market competition; increased transparency; and bringing market practices and regulation into line with international norms. The future of the yen and of Japanese financial markets

depend, to a large extent, on how this plan is implemented.

There have been various criticisms and concerns over the reform plans, many of which, say some cynical foreign observers, have all been heard before. It is also argued the target date of 2001 is too late given the rapid developments taking place in other big markets.

This time, however, reform will eventually be carried out - including deregulation of the financial sector. The Japanese public now understands that, without reforms to revitalise the economy, their living standards will deteriorate. For the first time, a sense of urgency has gripped the nation.

Politicians have also come to realise that the tide is running in favour of reform. Most politicians are now aware that, in order to survive, they must support a broad agenda of reform.

The ball has already started rolling. Bills to abolish foreign exchange controls and reform the Ministry of Finance and Bank of Japan have been submitted to parliament which is certain to approve them in a matter of months.

More reform bills - including laws on tax, banking and securities transactions, and holding companies - will be submitted to a special session of the Diet in the autumn. Once implemented, the reforms will cause cracks and distortions in the old system, making further reforms inevitable.

The challenge in the early part of the 21st century should be to establish a Japanese economy which is internationally compatible and competitive. If Japan succeeds in its reforms, the yen could play a more important role - as one of the three leading international currencies alongside the dollar and the euro.

The author is president of the Institute for International Monetary Affairs



COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday May 14 1997

East Asian miracle

And they said it couldn't be done. For months now officials in Japan and the US have been trying to coax investors back to the yen. Until last week they were politely ignored, and for good reason. But then suddenly, the mood changed. Within a few days, the yen reversed nearly one-fifth of its two-year decline against the dollar. And bemused observers of the "fundamentals" are wondering why.

The short answer to that question would be because Mr Eisuke Sakakibara, international finance supremo at the Japanese finance ministry, wanted the yen to rise. But that can hardly be the whole story. For a start, it is difficult to see many domestic reasons to favour a stronger yen. The impact at home of the yen's decline has been almost universally positive. A more accurate reading would be that he wanted to be seen by Washington to want to limit the rise in the Japanese trade surplus. Calling loudly for a higher yen at home, on this view, reduces the risk of even more raucous complaints from Mr Robert Rubin, the US treasury secretary, and the trade hawks on Capitol Hill.

But wanting a strong yen does not make it so. There is still the question why investors finally decided to jump at "Mr Yen's" behest. There has been rising optimism in Japanese

financial markets about the strength of the recovery. Stock market values and bond yields have both risen sharply over the past month: stocks because of rising profit forecasts, bond yields because of fears that short-term interest rates may rise sooner than expected.

A rather different kind of optimism has been overtaking US markets, where most seem to think it less likely that interest rates will be increased at next week's meeting of the Federal Reserve policy-making committee. The net effect: a narrowing in the gap between US and Japanese bond yields by about three-quarters of a percentage point, to a "mere" 4 percentage points. All of which seems to have made investors happier to take a punt on a stronger yen.

And yet, even Mr Sakakibara would have to admit that most of the developments cited in support of the yen remain in the realm of prediction. Sooner or later, Japanese interest rates will rise from their historic lows; sooner, if the economy proves to have shrugged off the recent tax rises. Likewise, the Federal Reserve might find it can hold off increasing interest rates. But neither is exactly a sure thing. Mr Yen and his colleagues have pulled off an impressive piece of financial market levitation. Now they must wait to see if events in the real world catch up with them.

UK inflation

The most interesting aspect of yesterday's Bank of England inflation report is the chapter which it does not contain: namely its thoughts on whether taxes should be raised in the forthcoming Budget.

On May 6, when the Bank was given operational independence, the relationship between fiscal policy and interest rate decisions acquired a new and untested dimension. From now on, the Bank's monetary policy committee will have authority to change interest rates in order to meet an inflation target set by the government.

But there is more than one way to curb inflation. Although yesterday's report does not say so directly, it can be read as a reminder that fiscal policy can have an important role alongside monetary measures.

The Bank's analysis shows the difficulties now confronting the UK's unbalanced economy. On the one hand, sterling's 16.5 per cent rise since August may be expected to curb the growth of exports and manufacturing output, although the effect has been surprisingly small so far. On the other, the domestic economy is growing much faster than is consistent with the long run rise in productivity.

Consumer spending, growth in the service sector, house prices and a 9 per cent rise in sales of durable goods last year all point in the same direction. With unemployment falling fast and wage rises accelerating,

there is a danger of overheating and rising inflation next year.

Something will probably need to be done to choke off excessive demand. But what? The Bank's arduous phrase - "some further moderate tightening of policy in the months ahead" - is most obviously a warning that the interest rates will rise, beyond the 4 point increase on May 6 to 6 1/2 per cent. But it might be an oblique reference to the chancellor's forthcoming Budget.

The UK's inflationary dangers arise mainly from the spending of consumers, spurred on by a 3.8 per cent rise in real disposable incomes last year and further encouraged by the imminent financial sector windfalls. A sharp increase in personal taxes might curb this excessive growth of the domestic economy and so reduce the need for tighter money. But the Bank has power only to raise interest rates, which might push sterling higher without curbing the domestic spending spree.

Under the new arrangements, the Bank's strategy will be, for the UK, unprecedentedly open. It is a pity therefore that it has not felt able to publish its views of the effects of a fiscal tightening. Having so recently escaped the Treasury's bear hug, the old lady was no doubt anxious to avoid treading on her old friend's claws. But she has wagged her finger, and now she has real power to make the chancellor take notice.

Stump up

The dilatory manner in which many of Britain's leading banks and insurance companies have set about compensating the victims of pensions mis-selling has been a dismal reflection on the integrity of an industry whose future depends on public trust. So much the better, then, that the new economic secretary to the Treasury, Ms Helen Liddell, has seized the initiative by summoning the worst offenders to a meeting today.

Of those who were sweet-talked into buying potentially inappropriate pensions in the late 1980s and early 1990s, some 470,000 are deemed to be priority cases. Yet fewer than 7,000 have been compensated since a review of mis-selling was launched in 1994, while 18,000 have already died without being reimbursed. If ever there was a case for lighting a fire under an industry and its regulators, this is surely it.

The Securities and Investments Board (SIB) and the Personal Investment Authority (PIA), the main watchdogs involved, have at last acquired some sense of urgency. Yesterday the SIB published a number of measures designed to accelerate the review process. Among the more important are specific targets set by the front-line regulator, the PIA, for individual companies. The SIB has also given further impetus to a proposed guaranties scheme,

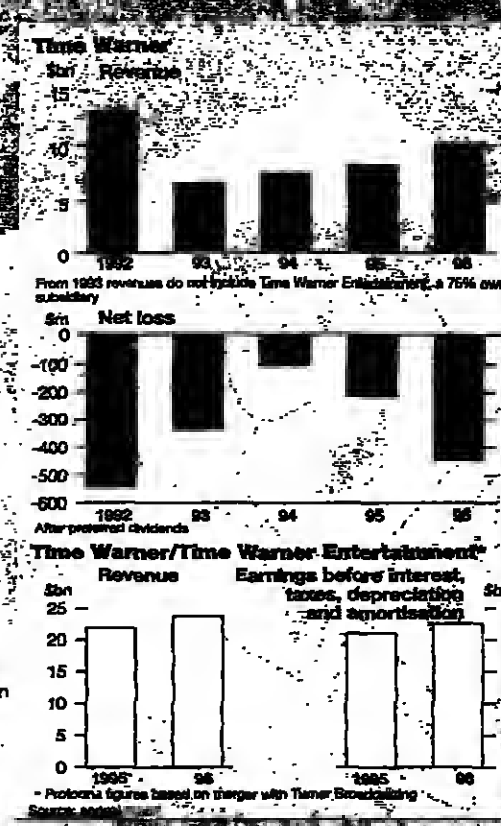
whereby insurers promise to pay benefits at the level pensioners could have expected to receive if they were ultimately reinstated in their former pension fund.

Equally important is to engage the attention of those in the boardroom, who bear as much responsibility as those beneath who have been dragging their heels over the review. Ms Liddell has the advantage of being able to offer the industry a fresh start. She can also wield a big stick. While the government's direct powers under the Financial Services Act are largely delegated, a minister can always threaten fiscal penalties. The windfall tax could, for example, be extended to the proprietary life companies.

Mutual insurers are harder to penalise without hitting innocent policyholders. But if Mr Frank Field's appointment as minister of state for social security means anything, the future privatisation of pensions is a big business opportunity for the private sector. In any system that relies on authorised fund managers, the Treasury blackball is a potent weapon.

By putting its weight behind the watchdogs' latest initiative, the government could make a decisive contribution to breaking the logjam. This would be an excellent way of demonstrating Labour's new-found commitment to the consumer.

Time Warner: show us the money



Time for some results

Time Warner's fortunes may be looking up at last but they are counterbalanced by the group's large debt, says Richard Waters

When asked to describe the mood of his shareholders, Mr Richard Parsons, president of Time Warner, thinks of Jerry Maguire. The film character, played by Tom Cruise, had a simple response to the empty promises and prevarications he encountered in business: "Show me the money!"

That, suggests Mr Parsons, could be the rallying cry for Time Warner's shareholders. After all the promises that have been made this decade, the owners of the huge entertainment and media group are getting tired of waiting for their company to live up to the grand visions on which it was founded.

When Mr Gerald Levin, chairman, stands up to address Time Warner's annual meeting in New York tomorrow, he will claim that things are at last coming good. A strong performance from most of the group's businesses and a rally of its shares by a quarter this year seem to point to better times.

Furthermore, last year's \$6bn purchase of Turner Broadcasting, owner of cable television networks such as CNN, may be beginning to yield results. Hitherto, the benefits of cross-fertilisation have conspicuously failed to materialise.

Most shareholders are tired of waiting. The company, created eight years ago from the merger of Time and Warner, has never made a profit. Its mountain of debt - \$18bn at last count - has never qualified as investment grade, leaving the group with a hefty interest bill. To cap it all, it still trades below the \$50 (\$30.80) a share that Paramount offered for Time in 1989, before the company fell to a bid from Steve Ross's Warner.

In this era of shareholder value, such anomalies were supposed to have been swept away by the march of big money into the game. The changing room, where players have talked for decades about sex, booze and holidays, is apparently becoming a forum for financial discussion.

As the Dutch national team moves from country to country, players take time out at airports to call their brokers on their mobile phones. In club bars they get a kick out of watching teletext for the latest price moves. While soccer magazines still seek footballers' views on life, love and the offside rule, weightier publications are sitting at the feet of midfielder Ronald de Boer, the side's acknowledged equity expert.

"The Dutch economy is doing well," De Boer told the magazine *Nieuwe Revu*, "and a halfway clever person knows that interest rates are low. So you know that people won't put their money in the bank, they'll buy shares instead." Turning tipster, he advised his already wealthy father-in-law to buy KLM. He invested in Philips by mistake, only to see the electronics shares soar.

Other players are more bullish about the Amsterdam market, including Ronald's twin brother Frank, the Dutch captain. On the field, he takes up deep positions in defence. As an investor, he is abandoning his position, selling shares in anticipation of a market slide. Ronald himself has decided that call options are too risky. It's all about knowing when to strike.

Two broad reasons to support Mr Levin's belief that Time Warner's prospects are improving, though not necessarily in its present form. First and foremost is the powerful performance of many of its businesses, which have done particularly well this year.

The company's lack of profits is largely a result of its high interest bill, which ran to \$1.4bn last year. It must also contend with annual charges to profits on amortising the goodwill from its acquisitions - \$1.1bn last year. Strip away such costs and one reveals a set of entertainment businesses that are, by and large, firing on all cylinders.

These range from Warner Bros, the most consistently profitable and stable film studio in Hollywood, to a publishing business that produces, by Mr Parsons' reckoning, 30 per cent of the US magazine industry's revenues and 40 per cent of its profits. Only the Warner music group - with around a 20 per cent market share - has been struggling.

Time Warner suffers the curse of many conglomerates: it would probably be worth more in pieces than as a whole. The company's executives betray the frustrations that come from fighting this heavy financial drag. Of the Time publishing unit, Mr Parsons says with a distinct note of sourness: "No one is ever interested in it. Wall Street never wants to know what the publishing numbers are."

Other big US companies have spun off or sold underappreciated assets. But for now, at least, Time Warner has set its face against such a move. The aim, instead, says Mr Parsons, is "to articulate our message and to have a performance that ultimately is not ignorable."

Synergy, however, is a concept that has largely gone out of fashion in US business circles. Mr Ross's vision in the late-1980s was to marry content - whether in film, music or printed form - with distribution. Different entertainment forms would support each other, and all would be

helped by control of the country's second-biggest cable television operation.

Mr Parsons now suggests that vision was over-optimistic. Owning all the hardware that it takes to run a cable system - the wires and set-top boxes - appears to have produced few synergies with the business of owning and producing the films and sitcoms that are pumped down the cable.

This realisation led to the purchase of Turner. The owner of a handful of well-known cable television networks, or stations, Turner offered a more obvious outlet for the content coming out of Warner Bros' film and television studios.

It has taken Mr Ted Turner, now Time Warner's biggest shareholder and a vice-chairman, to make this work in practice. Overriding the concerns of some Warner executives, he has pushed for Time Warner's own networks to be given priority rights to Warner Bros' films. This gives them preference over rival networks, such as NBC and ABC, which still account for the bulk of the US television audience.

Whatever tensions this has created internally, the move has certainly won fans on Wall Street. "For the first time since Steve Ross died, they've got someone with the weight to make these companies work together," says Ms Jessica Reif, an entertainment industry analyst at Merrill Lynch.

Comparing Mr Turner's efforts with those of another, more successful, company that has pursued a similar policy of vertical integration, Ms Reif adds: "It's inconceivable that Disney would sell its movies to [the rival networks] NBC or ABC."

The second reason to feel more optimistic about Time Warner's prospects stems from the business that has been its highest headchase: cable. Much of the group's debt results from amassing cable systems, most of which

are owned by a separate company, Time Warner Entertainment. This is itself 25 per cent owned by US West, a telephone company. Furthermore, revamping these systems with optical fibres and cable-modems has cost Time Warner more than \$1bn annually since 1994, a burden likely to continue for the rest of the decade.

Wall Street has been concerned that this hefty financial commitment might not bear fruit in the early 1990s. Washington extended its regulation of cable rates just when it was opening the market to competitors from telephone companies and satellite broadcasters. Both seemed destined to squeeze the industry's profits.

But these fears are beginning to look overblown. The government has changed tack, and cable rates will be deregulated by 1999. Also, competition has been less ferocious than feared. The telephone companies have largely turned away, more intent on fighting against a competitive assault on their own business. And while satellite broadcasters have scored some early victories, the biggest threat - a joint venture involving Mr Rupert Murdoch's News Corp and EchoStar, the US satellite company - has collapsed.

Other threats will follow, such as an expected attempt by the computer industry to dominate the world of digital broadcasting. But for now, Time Warner's cash flow from cable systems seems more resilient than it has been for some time.

These are good reasons to believe that Time Warner's fortunes are looking up. But they remain counterbalanced by the group's debt. As Mr Parsons acknowledges: "Any balance sheet can only take so much weight."

Wall Street has been waiting for more than two years for Time Warner's chairman to pull off a restructuring that would cut this debt. Investors' preoccupation has put all Mr Levin's other efforts into the shade. In the

meantime, Time Warner has bought more cable systems as well as Turner Broadcasting, adding to the overall debt load and leaving largely unchanged important measures of financial health, such as the ratio of cash flow to interest and dividends on preferred stock. Until the group makes some headway on debt, its share price is unlikely to make much further progress.

The delay is partly the result of the failure to conclude a deal with US West, the minority partner in TWE. For some time, US West has been negotiating an end to the relationship that would leave it with a chunk of the unit's cable systems and some of its debt. But its executives say they are under less pressure to complete a deal than Mr Levin. Time Warner is unwilling to sell out too cheaply.

If Mr Levin could seal a deal with US West, says Ms Reif at Merrill Lynch, the ground would be prepared for a second - possibly much bigger - step. Time Warner might, she says, follow up with the sale of a majority stake in its remaining cable systems, or spin them off altogether.

If it managed to push its mountain of liabilities to one side, Time Warner would have the breathing space to demonstrate the healthiness of its other businesses. That would reduce pressure to start shedding any of its crown jewels, says Mr Neil Begley, an analyst at Moody's, the credit rating agency. If the group can sustain the trend of cashflow it now has, it should be able to pull through without being forced to make further provisions, he says.

This positive outcome is based on a lot of "ifs" - a word of which Time Warner's shareholders are understandably wary. Many need convincing that the long awaited restructuring is actually about to happen.

"When it occurs, it occurs," says one of Time Warner's biggest institutional investors. "Until then, it's all talk."

OBSERVER

Matching bargains

■ Another of soccer's proud traditions is being swept away by the march of big money into the game. The changing room, where players have talked for decades about sex, booze and holidays, is apparently becoming a forum for financial discussion. As the Dutch national team moves from country to country, players take time out at airports to call their brokers on their mobile phones. In club bars they get a kick out of watching teletext for the latest price moves. While soccer magazines still seek footballers' views on life, love and the offside rule, weightier publications are sitting at the feet of midfielder Ronald de Boer, the side's acknowledged equity expert.

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Hidden agenda

■ The Asian Development Bank is giving a curiously low profile to the role played by Jeffrey Sachs of the Harvard Institute for International Development in co-ordinating its new tome on Emerging Asia. Insiders at its annual meeting in Fukuoka, Japan - which Sachs did not attend - confessed with hindsight that they picked the wrong man for the job. Chunks of Sachs' initial draft were sent back for revision, because the ADB felt it leaned too far towards a minimal role for governments in development. Thinking in the bank is moving in the opposite direction - that more rather than less government involvement is needed, not to pick industrial champions but to set the regulatory framework to secure the provision of health, education and a clean environment which make development sustainable. The bank wants a debate on defining that role.

Mario stanza

■ So what persuaded Italian Commissioner Mario Monti to retreat over the new UK government's plan to cut value added tax on fuel? Europe's single market guardian at first threatened to block the move because it flouted EU rules. But when push came to shove at this week's meeting of EU finance ministers, he gave the green light without any fuss. The answer seems to be that the British connection in Brussels is alive and kicking - and doing what its EU partners already do so well. Step forward James Currie, former chief of staff to Sir Leon Brittan, Britain's senior Brussels commissioner, who's now the Commission's director-general of customs and indirect taxation. Currie, a bit of a Scots bruiser,

Baltic statues

■ Estonians harbour high hopes of early entry into the European Union, and believe the odds against them would be shorter if outsiders would stop lumping them together with the other two Baltic states. In his campaign to set western Europeans straight, the country's foreign minister Toomas Iivasa is telling an apocryphal tale about how the massive statues of Lenin were removed in the three countries' capitals after the Soviet Union collapsed. In Lithuania, an emotional flag-waving crowd gathered in the central square singing the national anthem and tore down the monument. The Latvians set up a committee to work out the best way to remove the statue and what crane to use. The Estonians got out their mobile phones, called up the Finns and sub-contracted the job.

Financial Times

100 years ago

Crops Ruined in France
Auxerre, Yonne, 18th May. Last night there were nine degrees of frost in this district, the thermometer falling to 28deg Fahrenheit. The night before last it fell to 28.6deg. The frost this morning is general. The vine, fruit and vegetable crops are ruined, and the damage in this department alone is estimated at 20,000,000 francs. The inhabitants are in despair.

50 years ago

Scotch And Dollars
A demand expressed lately in certain sections of the trade that the export price of Scotch whisky be substantially increased to provide more dollars and to compensate the domestic consumer for the reduced allocation effective from the beginning of the month would, if accepted, prove "disastrous" to the industry. That is the view of one of the most prominent figures in the whisky trade. He pointed out that consumer resistance, particularly to luxuries, was hardening rapidly in the United States, and that at the moment "it would be the height of folly" to countenance a rise in price.

Vietnam cannot afford more debt, say bankers

World Bank opposes Hanoi funding plans

By Jeremy Grant in Hanoi

Vietnam's plans to start borrowing in the international capital market this year have aroused opposition from the World Bank, which says the debt-burdened country cannot afford to rack up further arrears.

The move has also alarmed western economists who fear the government may use the money to help finance the country's fragile budget rather than for projects which could generate a commercial return.

Hanoi shelved plans last year for a eurobond issue of between \$100m and \$150m as it was still negotiating the settlement of money owed in the London Club of commercial creditors, put at about \$750m.

Hanoi hopes to issue a Brady bond - restructured debt using US treasury bonds as collateral - by the end of this month to resolve that problem.

Mr Nguyen Sinh Hung, the Vietnamese finance minister, said the government was moving

ahead with a sovereign issue. "We are working on it now," he said.

He said the money raised would go to state-owned companies to fund expansion.

Merrill Lynch and Nomura last year were mandated to arrange the five-year facility. Mr Florian Schmidt, associate director of the debt capital markets group at Nomura, said Hanoi aimed to issue the bond "pretty soon after the Brady is issued".

However, Mr Bradley Babson, the World Bank's representative in Vietnam, said the bank had not released its opposition to the plan after first advising against it last year.

"Given the creditworthiness, Vietnam would not be encouraged to engage in sovereign borrowing at this stage for financing the budget," he said. Vietnam is the second largest recipient of World Bank funding after India.

Any bond issue would use a large portion of the country's yearly sovereign borrowing

limit of \$400m, set by the International Monetary Fund.

Hanoi ran up a trade deficit of \$4bn last year, about 18 per cent of gross domestic product.

"We continue to be concerned about the overall management of debt policy," said Mr Babson. Foreign bankers say politically-inspired lending plagues the banking sector, where credit assessment is slack and corruption rife.

However, one western economist said there were signs that the money might be added to a finance ministry "war chest" aimed at helping Hanoi raise its share of cash for multilaterally-funded projects.

"What's happening is that because they don't have the budget, they're trying to get it through other means. That is being viewed as unhealthy," said one western economist.

Bankers were surprised when Moody's, the rating agency, last month awarded Vietnam a Baa3 rating, which they saw as generous despite being below investment grade.

Bid to end company statute deadlock

By Emma Tucker in Brussels

Industrial experts have mounted a fresh attempt to break the 25-year deadlock on proposals for a single European company statute.

The group, led by Viscount Etienne Davignon, chairman of Société Générale de Belgique, believes it may have found a solution to Germany's objections to the plans. If implemented, these would allow companies with operations in more than one member state to be governed by one law, applicable in all EU countries.

The proposals, first drafted in the 1970s, are seen by the industry as an important component of the single market which could save them billions of euros. But the plans have been blocked largely over the issue of worker involvement and differences between the UK and Germany over how far companies should be obliged to consult workers.

Other problems include company taxation and issues such as bankruptcy.

The new UK government is likely to lift Britain's objections to an obligation that multinational groups set up bodies for informing and consulting workers. But Germany fears companies would use the European company statute to circumvent its own traditional system of worker involvement.

The report published yesterday suggests that the terms of worker involvement should be decided by each European company. If an agreement between management and employees on the nature of that involvement could not be reached after three months, a set of reference rules would apply.

The group hopes this solution would meet the concerns of countries with advanced participation systems, such as Germany, by extending the obligation to negotiate on worker involvement to all EU member states.

Officials have hinted that Germany may be ready to take a positive approach to break the deadlock.

The report will be presented to internal market ministers in Brussels next week.

Waiting game, Page 12

THE LEX COLUMN

Tackling Telekom

After a slow start in the wake of November's flotation, Deutsche Telekom's shares have jumped nearly 30 per cent this year, handily outperforming a rising German stock market. There are two principal reasons.

First, fears that the group would rapidly lose domestic market share look overblown. Though full deregulation starts next year, Germany has yet to decide on the level of interconnection charges between DT and its competitors. Every month of delay gives DT longer to get its cost base down, while stymieing its rivals. In France, by contrast, the regulatory framework has been set well ahead of France Telecom's privatisation.

Second is that DT did not make widely expected investments in South Africa and Kazakhstan. Investors have taken this as a welcome sign of focus from a company with a huge pile of debt and an international strategy that has often amounted to little more than waving around its cheque book.

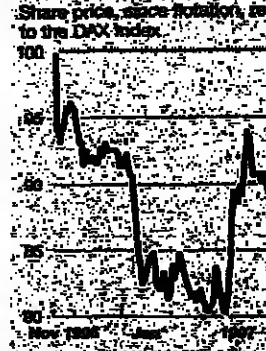
But yesterday's results also showed that DT is proving vulnerable to competition where it already exists. Revenue from international calls fell nearly a fifth as the likes of AT&T and Mannesmann picked off lucrative business customers. With its shares at just over DM40, DT is trading on a multiple of 5.4 times enterprise value to earnings before interest, tax, depreciation and amortisation, a 30 per cent premium to its European peers. That looks high enough for now.

FTSE Eurotrack 200

2395.6 (+13.7)

Deutsche Telekom

Share price, since flotation, relative to the DAX index



Source: Deutsche Telekom

for gilts, and hence should also offer support for equities, although there are lingering fears about how Mr Gordon Brown, chancellor of the exchequer, will treat the corporate sector in his budget. A further rise in interest rates still remains likely, but if Mr Brown delivers a sufficiently tight mini-budget, market fears of a further 0.75 percentage point rise in interest rates this year may prove excessively pessimistic.

Gilts

The government's early move to grant independence to the Bank of England has left markets in a muddle. The past week has produced the curious combination of a powerful rally in gilts and a sharp fall in sterling. The spread of 10-year gilt yields over German bunds fell from around 185 to 137 basis points, while the pound slipped 10 pence before recouping some of its losses. The curiosity is that, in the near term at least, the opposite might have been more logical: expectations of higher short-term rates fuelling sterling strength and undermining gilts.

Correctly, however, the market is taking the long view - that the UK now has an improved chance of achieving sustained low inflation. Long-term inflation expectations have fallen by almost half a percentage point since last week's announcement. These, plus a lower risk premium for inflation, allow for lower bond yields. Moreover, with the new government moving closer to the rest of Europe, it is reasonable to expect UK bond yields to start converging on their continental counterparts. There is little reason why gilts should be yielding 30-40 basis points more than equivalent bonds in countries like Spain and Ireland.

The spread over bunds will narrow further as the market digests the fact that, just as the Bank of England is getting a free hand, the Bundesbank is handing over the baton to an untested successor. This must put upward pressure on German rates. Meanwhile, sterling's recent gyrations have had precious little to do with central bank independence. But a weaker sterling is consistent with a rallying gilts market as sterling falls, the risk for foreign investors face of future currency losses reduces, allowing them to accept a lower yield.

Additional Lex comment on Allied Domecq, Page 20

Russia moves to reassert state control of Gazprom

By John Thornhill in Moscow

Mr Boris Nemtsov, Russia's reforming first deputy prime minister, was yesterday named head of a 10-person government board to "introduce order" at Gazprom, the giant gas monopoly.

Mr Nemtsov, who joined the government in March, called the move "a breakthrough, even a sensation."

"The sensation is that the biggest joint stock company in Russia, one of the biggest companies in the world - in which the state has an interest of 40 per cent - has finally been put under state control," Mr Nemtsov said.

Paradoxically, Mr Nemtsov wants to reassert state control over the partially privatised Gazprom to force it to become more open and market-oriented. He said the government board would press Gazprom to cut its gas prices, pay its taxes and pension contributions on

time, and increase its dividends on the state's 40 per cent shareholding.

He said the state had earned just \$250bn (\$3.5m) in dividends from Russia's richest company over the past two years. "I explain this by the fact that the state had totally lost control of the company," Mr Nemtsov said.

A presidential decree, published yesterday, established a parallel board of 10 state representatives to oversee the activities of Gazprom and manage the state's shareholding more effectively.

Headed by Mr Nemtsov, the board will include representatives from the anti-monopoly committee, the ministries of energy and finance, as well as the tax inspectorate.

Mr Nemtsov said the board would also press for more open access to the gas pipeline and increased foreign investment in the industry.

Gazprom officials said it was

too early to assess the decree's significance, suggesting it could be interpreted and implemented in different ways.

Gazprom has enjoyed strong political patronage thanks to Mr Victor Chernomyrdin, its former chairman, who became prime minister in 1992.

But the government's latest move appears the most determined assault on Gazprom's power - although the reformers appear to have backed away from earlier plans to break it up.

Another presidential decree yesterday promised to remove all federal funds from privileged "insider" banks from the start of 1998 and transfer monies via the central bank's branch network.

Mr Christopher Granville, head of research at United City Bank in Moscow, said the government was now fully committed to the sweeping reform agenda outlined by Mr Yeltsin earlier this year.

'War plan' to stifle currency speculation

Continued from Page 1

Netherlands on July 1 before handing over to the UK on January 1 1998. The UK will chair the special May summit to choose Euro qualifiers.

The Luxembourg plan borrows from ideas in a paper by the London-based Centre for Economic Policy Research. The plan does not cover the

conversion rate between national currencies and the euro, which are to be fixed on Euro's launch in 1999 according to the Maastricht treaty.

Instead - in an effort to cement the transition to the euro - EU leaders could informally agree or publicly state their target for conversion rates between future euro members, exploiting the 15

per cent fluctuation bands in the ERM to secure a "managed float".

Provided the rates were credible, the need for substantial central bank intervention would arise only at the end of the transition period to Euro in late 1998, bankers believe.

"The markets must not be surprised by the choice of participating countries and those

outside. Otherwise, there could be a disaster," said a senior monetary official.

Mr Juncker acknowledged that one of the chief obstacles to the plan was that it in effect prejudged the formal political decision on Euro in May 1998. Short-circuiting the political process could prove highly controversial in Italy and Germany.

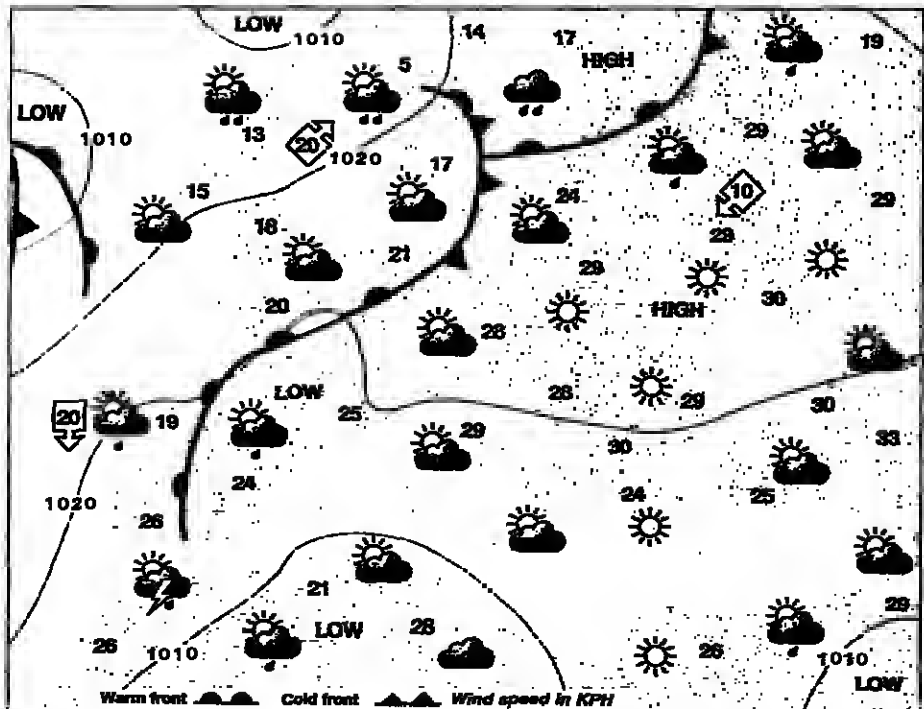
FT WEATHER GUIDE

Europe today

Warm air over central and eastern Europe will spread to western areas as a frontal zone extending from Spain across Germany to northern Russia slowly shifts northwest. Cloud and rain will dominate near the frontal zone. Thunderstorms are also likely. Widespread sunny periods and a few cumulus clouds will occur over the Mediterranean, the Balkans and eastern Europe. Maximum temperatures will easily reach 30C in parts of Turkey, Romania and the Ukraine. Temperatures in western Europe will barely exceed 20C despite sunny spells. Southern Scandinavia will have frequent showers.

Five-day forecast

Warmer air will move further west. Cloud and showers will remain over Spain and Ireland. Sunny spells will dominate the continent as high pressure becomes established from southern Scandinavia to the Balkans.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | | | | | | | | | | | |
|-----------|-----------|------------|-----------|-------------|-----------|------------|-----------|-------------|-----------|------------|---------|
| Abu Dhabi | Maximum | Beijing | sun 25 | Caracas | fair 32 | Faro | sun 23 | Madrid | thund 24 | Rangoon | fair 24 |
| Accra | cloudy 16 | Calcutta | sun 16 | Cardiff | sun 16 | Frankfurt | show 26 | Manila | cloudy 23 | Reykjavik | fair 8 |
| Algiers | sun 37 | Casablanca | fair 21 | Glasgow | cloudy 21 | Geneva | cloudy 25 | Mexico City | cloudy 18 | Sao Paulo | fair 21 |
| Amsterdam | rain 25 | Chicago | fair 25 | Hamburg | cloudy 21 | Gibraltar | sun 24 | Moscow | show 14 | Singapore | sun 27 |
| Antwerp | fair 21 | Cologne | cloudy 24 | Helsinki | sun 25 | London | show 14 | Mumbai | show 19 | Sydney | fair 22 |
| Athens | sun 28 | Dallas | sun 28 | Los Angeles | sun 26 | Osaka | sun 26 | Nairobi | show 26 | Taipei | sun 22 |
| Atlanta | show 27 | Doha | sun 37 | Paris | sun 27 | Seoul | sun 27 | Rangoon | show 18 | Tokyo | rain 22 |
| Bahia | fair 28 | Dubai | sun 37 | Stockholm | sun 27 | Singapore | thund 32 | Toronto | cloudy 14 | Wellington | show 18 |
| Bangkok | thund 37 | Dublin | cloudy 16 | Strasbourg | sun 27 | Sydney | sun 20 | Vancouver | rain 24 | Winnipeg | fair 11 |
| Barcelona | cloudy 22 | Edinburgh | show 15 | Taipei | sun 22 | Toronto | fair 18 | Warsaw | sun 29 | Zurich | fair 24 |
| | | | | Tel Aviv | fair 29 | Washington | show 15 | Vienna | sun 29 | | |
| | | | | Tokyo | rain 22 | Wellington | show 18 | Warsaw | sun 29 | | |
| | | | | Toronto | cloudy 14 | Winnipeg | fair 11 | Vienna | sun 29 | | |
| | | | | Vancouver | rain 24 | Zurich | fair 24 | Warsaw | sun 29 | | |
| | | | | Verona | sun 25 | | | Vienna | sun 29 | | |
| | | | | Vienna | sun 29 | | | Warsaw | sun 29 | | |
| | | | | Warsaw | sun 29 | | | Wellington | show 18 | | |
| | | | | Wellington | show 18 | | | Winnipeg | fair 11 | | |
| | | | | Winnipeg | fair 11 | | | Zurich | fair 24 | | |
| | | | | Zurich | fair 24 | | | | | | |

We wish you a pleasant flight.

Lufthansa

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COMPANIES AND FINANCE: THE AMERICAS

GM moves closer to Russian car deal

By Haig Simonian in London
and Graham Bowley
in Frankfurt

General Motors, the world's biggest car company, will today announce in Moscow that it has made "very significant progress" in plans to build cars with one of Russia's leading carmakers.

Mr. David Herman, chairman of Opel, the GM subsidiary spearheading the company's push into Russia and Ukraine, will release details of talks with AvtoVAZ, the company behind the Lada brand, and the Automobile All-Russia Alliance, to build cars at a new factory in the north-western Karelia region. Production could start by the end of 1998, an official closely involved in



David Herman: confirmed that GM was also in negotiations on Chinese deal

the deal said. Although the project has not yet been signed, talks have proceeded relatively smoothly. "We are not far away from it," the official said.

The project will include Valmet Automotive, the Finnish engineering group, which builds the Calibra coupe for Opel. Valmet also has links with AvtoVAZ, for

which it has been preparing a version of the Lada Samara for European markets. Separately, Mr. Herman confirmed yesterday that

GM was in negotiations with the Chinese authorities to take the place of Peugeot, the French carmaker, in a joint venture in Guangzhou. Peugeot has been looking to pull out of the venture, established almost a decade ago, because of disappointing sales and a lack of management control.

GM is believed to be in competition with a number of other car companies, including at least one from South Korea, and a decision is not expected before the end of the year. Unlike GM's \$1.5bn plan, announced last year, to build large Buick family cars in Shanghai, the Guangzhou deal would involve Opel models.

Today's press conference in Moscow, which will

include representatives from Valmet and AvtoVAZ, will flesh out GM's proposal to build 30,000-50,000 cars a year at the new plant near Vyborg in Karelia.

The partners may also give further details about their longer-term plans for a more ambitious link based at AvtoVAZ's vast Togliattigrad plant, south-east of Moscow. The former show-case plant, built with technical help from Fiat of Italy in the 1960s, needs to be modernised, and AvtoVAZ's products updated.

GM officials have regarded progress on the Vyborg project as an acid test of whether they could take on the much tougher task of working with AvtoVAZ at Togliattigrad.

AMERICAS NEWS DIGEST

Harcourt in \$800m education buy

Harcourt General is to buy National Education Corporation, the largest US provider of correspondence courses, for \$800m. The cash deal is the biggest yet in the growing US market for "distance learning" and computer training.

The agreed cash offer comes a month after National fought off a \$740m hostile bid from Boston-based Harcourt partly with the help of an agreed deal from Sylvan Learning Systems. Sylvan, a smaller group than the victor, is to receive \$30m to withdraw from its planned merger. Shares in Harcourt, which has a range of interests from educational publishing to retailing, eased 3% to \$46, yesterday while National Education shares rose almost 2 per cent to 20%. The deal valued the target at \$21 a share.

Harcourt intends to use its technology to offer its target's services online. During last month's battle, Harcourt said it intended to acquire National Education's 83 per cent stake in Steck-Vaugh Publishing corporation. It made no further comment on this yesterday.

Jane Martinson, New York

NSC takes one-off charge

National Semiconductor Corp said Tuesday it would take a one-time charge in the fourth quarter of \$75m-\$85m for a manufacturing realignment plan.

The company said the realignment follows completion of the previously announced sale of its Fairchild Semiconductor unit, which resulted in a one-time credit of \$75m to pre-tax income. The credit represents a \$77m gain on the sale of Fairchild, plus a \$20m reversal of the valuation allowance and other accruals in the first quarter of the current fiscal year, which ends May 25. The company said the realignment is designed to accelerate its production transition to manufacturing eight-inch wafers with 0.35-micron circuit geometries, reduce costs and rationalise production flows.

"This realignment is another step in the pursuit of one of National's three strategic initiatives to become a world-class manufacturing company, as we transition to provide systems on a chip solutions for our key data highway partners, exploiting our analogue expertise as a starting point for forward integration," said Mr. Kamal Aggarwal, executive vice president of National's Central Technology and Manufacturing Group.

About \$60m of the charge relates to the writedown of certain assets in an Arlington, Texas, wafer manufacturing plant, which have become impaired as defined by Financial Accounting Standard 121. The remainder of the charge covers exit costs relating to closure of five- and six-inch wafer fabs at its California headquarters, and smaller provisions for actions at other manufacturing facilities, the company said.

Reuter, California

Placer merges operations

Placer Dome, the Vancouver-based mining group, has combined its US and Canadian operations as part of a drive to improve financial performance and step up its search for acquisitions.

The new division, to be known as Placer Dome North America, will be headed by Mr. Jay Taylor, presently chief executive of Placer's US operations. Other management changes include the appointment of two executive vice-presidents. Mr. Ian Austin, 46, currently chief financial officer, will take charge of acquisitions, planning and communications. Placer said exploration would still be its main vehicle for adding reserves, but that "we are raising the profile of the acquisitions activity."

Mr. Sandy Laird will oversee operating units in North America, Latin America and Australasia. Mr. Rex McLennan, currently treasurer, succeeds Mr. Austin as chief financial officer.

Bernard Simon, Toronto

Cifra plays down talk of takeover

By Daniel Dombey
in Mexico City

Cifra, Mexico's biggest retail group, said yesterday its talks with Wal-Mart, of the US, were aimed at merging the two companies rather than at the acquisition of Cifra by its US partner.

The two companies, which have a joint venture dating back to 1991, announced last month they were in discussions about Wal-Mart taking a direct equity stake in Cifra.

However, Mr. Henry Davis, Cifra chief executive, denied that the group's owners were about to sell their entire stake to Wal-Mart.

"I do not see why they should sell," he said. "Our shares are undervalued. They are valued at half what they were in 1993 [in dollar terms], but we have increased our capacity by 60 per cent."

However, he said that the talks were likely to bear fruit. "I hope it will be a question of weeks or months rather than years," he said. "The discussions generally are about merging the two companies."

Wal-Mart's continued interest in Cifra contrasts with the attitude of other US retailers. In recent weeks both K-Mart and Sears have pulled out of Mexico. The country's retail sector remains depressed.

Mr. Davis remained guarded about middle-term prospects. "We are increasing the number of stores. But I do not see any particularly dramatic growth happening this year. Purchasing power is still sluggish."

He said that growth was skewed towards the north of the country and that most of the company's new investment was in Wal-Mart supercentres.

Murdoch bids \$350m for Dodgers

By Christopher Parkes
in Los Angeles

Mr. Rupert Murdoch, world media big-hitter, has taken a swing at the US sports industry with a record bid of more than \$350m to buy the Los Angeles Dodgers baseball team.

A deal, which is dependent on approval by other major-league team owners, would bring Mr. Murdoch into step with media groups such as Walt Disney and Time

Warner, which already owns ice hockey, baseball and basketball franchises.

It would also give him a stadium site close to central Los Angeles, a rich source of merchandising prospects and entertainment spin-offs, and reinforce his presence in international sports programming.

News Corp has identified sport - free of language barriers - as a key driver of international growth.

Fox Television, Mr. Mur-

doch's News Corporation offshoot, has eight regional cable sports networks, and is the leading owner of conventional TV stations in the US with a current tally of 22.

His international TV interests embrace Japan, Latin America and Europe, where Britain's BSkyB is a leading supplier of subscription sports programmes.

The high price for the Dodgers - almost double the previous record, paid for the Baltimore Orioles four years

ago - may also flush out other sports team owners willing to sell to entertainment companies.

Fox has prevailed over an array of suitors including Time Warner, Mr. Robert Shapiro, a member of Mr. O. J. Simpson's legal "dream team", and Mr. Richard Riordan, mayor of Los Angeles.

Backed by cash reserves of more than \$2bn, Mr. Murdoch must now win approval from the other major league owners.

The owners were yesterday expected to approve further negotiations, and according to Mr. Peter O'Malley, head of the family which has owned the Dodgers since 1950, a deal should be ready for approval by the league next month.

"We are in the fifth month of what we expected to be a six-month process," Mr. O'Malley said on Monday night, confirming he was negotiating exclusively with Fox.

Inco reassured over Bre-X fall-out

By Kenneth Gooding,
Mining Correspondent

Canada's Inco, the world's biggest nickel producer, which is part way through a US\$500m, three-year expansion project at its Indonesian subsidiary, has been given assurances by Department of Mining officials in Jakarta that it will not suffer from the fall-out from the Bre-X affair, which has led the country to tighten its mining regulations.

This was made clear yesterday by Mr. Scott Hand, Inco president, who also stressed that the events leading up to the Bre-X debacle - including large payments to companies controlled by relatives and friends of President Suharto - were the exception, not the rule.

He said that he had personal control of the recent negotiations with the Indonesian authorities for an extension to PT Inco's contract of work, and "all the

negotiations were proper, transparent and above board."

Inco also has an exploration subsidiary in Indonesia, Ingold. Mr. Scott said: "I would be surprised if that was affected [by Bre-X] because Inco has been operating in Indonesia since 1963 and all our people are well known to the government. It might even bring us benefits. If it comes to a choice between an unknown junior [mining company] and Inco,

Inco would be the choice."

He said the Indonesian government's intention to take a free 10 per cent stake in new projects was only a renewal of a previous policy that had affected PT Inco. Nevertheless, "this inevitably will increase the cost of a project and make Indonesia less competitive compared with some other countries."

Mr. Hand, in London to address investors at a Merrill Lynch conference today,

remained confident about the nickel market. Inco is forecasting a 7 per cent increase in global nickel demand this year, from 934,000 tonnes in 1996 to 999,000 tonnes. Supply, meanwhile, is predicted to increase from 951,000 tonnes to 984,000 tonnes, leaving a deficit of 15,000 tonnes.

Inco expects this supply deficit to rise to between 30,000-40,000 tonnes in 1998.

Commodities, Page 24

Brazilian railways back on track

Five of the six branches of the federal network are under private management



BRAZILIAN PRIVATISATION

Maintenance staff at the Novoeste railway have never seen the blue paint on their work shop machinery until the layers of grease and soot accumulated over decades were scraped off last year. Elementary safety measures, such as the hand rails surrounding raised working areas, are just as novel.

"Before privatisation, this place was a catastrophe," says Mr. Eliezer Costa Croce, workshop manager.

A 30-year concession to operate the railway - formerly the eastern branch of RFFSA, the federal network, based in Bauri in the interior of São Paulo state - was sold in April 1996 to a consortium led by the Noel Group of the US.

The privatisation of the railways is a central part of a big, two-year privatisation push by the Brazilian government, which aims to

raise \$10bn this year alone. It covers telecoms, the electrical energy sector, transport and mining. Analysts reckon the total value of the assets up for sale over the next two years could be as high as \$60bn.

The effect the government is hoping to achieve - apart from the cash it will raise - is evident at Novoeste.

As well as boosting efficiency in its workshops, where the time taken to service a locomotive has fallen from three or four months to less than two, Novoeste has increased the proportion of locomotives in use from 39 per cent to 70 per cent, while cutting the daily average of locomotive failures from 4.1 to 1.1 and of loaded wagons awaiting movement from 436 to 37.

More significant, says Mr. Glenn Michael, chief executive, has been a change of priorities. "There was nothing wrong with the previous management, but their concern was simply with running a railroad. Nowadays this is a transport company,



competing for business with other transporters."

There is a tremendous market ready to be attacked. Despite Brazil's enormous size, some 56 per cent of freight, including bulk car-

goes such as soy, is carried by truck. In the US, where cargoes and distances are similar but highways and trucks far superior, the figure is 28 per cent.

Five branches of the federal network are now under private management; the sixth and final concession is due to be sold in July.

Mr. Isaac Popoutchi, president of the RFFSA, expects the 9 per cent of Brazil's freight carried by the network before privatisation to rise to between 15 and 18 per cent in the next six years.

The RFFSA was created when Brazil's railways were nationalised in 1957. It then employed 150,000 people, and became a source of political patronage - "overbearing, loss-making and hard to control," says Mr. Popoutchi. Staff numbers fell to about 45,000 in 1995 but the network still lost \$300m a year.

A further 20,000 jobs were cut last year under a \$200m redundancy programme combining generous pay-offs with retraining schemes. As a result, there has been little unrest and rail privatisation has escaped the fierce opposition that delayed last week's sale of CVRD, the large mining company.

More cuts have followed under the private sector and the network is heading towards the 15,000 staff Mr. Popoutchi says are needed. Further efficiency gains will come from improvements in track and rolling

stock. The RFFSA reckons the six concessions will require combined investment of at least \$5bn over their 30-year terms.

The government can already count the sell-off as a good deal. The RFFSA's losses have turned into a guaranteed annual income of \$150m as the new operators pay for their concessions over the next 30 years. More income will come from asset sales.

Once privatisation is complete, the RFFSA will retain a regulatory role and control of assets valued at \$19bn. It will also seek to encourage greater competitiveness.

Already Mr. Michael at Novoeste says his railway's new competitiveness is "tearing road transport apart". It has signed Brazil's first ever fixed rail transport contract with Mato Sul, a big

soya producer, to carry between 300,000 and 500,000 tons of grain a year.

"The RFFSA would never have dared to sign a contract like that," says Mr. Popoutchi. "It had a tiny commercial staff with no incentive to be creative, and it lacked the physical capacity to guarantee supply."

Mr. Popoutchi says the RFFSA has drawn on the short experience of the private sector in preparing the last concession, in the north east, for sale. This is the most decrepit section of all, reflected by its minimum price of just \$411.5m (10.8m) - the Novoeste concession was sold for \$852.3m and the biggest, in the south, for \$858.9m.

But by the auction in July, its capacity will have grown enough to meet existing demand, says Mr. Popoutchi. When management is transferred in November, it should be breaking even after losses last year of \$50m, and be ready to compete in the fastest growing regional economy in Brazil.

"Cargo transport is a highly competitive business and there is no reason for the state to be involved," he says - a sentiment unthinkable in Brazil just a few years ago.

Jonathan Wheatley

This is the second article in a series on Brazilian privatisation. The first appeared on April 29

RAND MINES LIMITED ("the Company")

(Incorporated in the Republic of South Africa)

(Registration No. 01/00655/06)

SUSPENSION OF LISTING AND PROPOSED WINDING-UP OF THE COMPANY

Suspension of Listing

Shareholders are advised that in terms of the listing requirements of the Johannesburg Stock Exchange ("the JSE") relating to cash companies and upon request by the Company, the Company's listing on the JSE and the London Stock Exchange will be suspended with effect from the close of business on Thursday 22 May 1997.

Ongoing Litigation

Shareholders were notified in the 1996 annual financial statements that the dispute in respect of the Pensioners' Medical Aid contributions was referred to the High Court of South Africa (Witwatersrand Local Division) ("the High Court") in August 1996 by way of an application for a Declaratory Order. The amount in dispute was actuarially estimated at approximately R35 million. Shareholders were further notified on 31 January 1997 that the application for a Declaratory Order was dismissed with costs by the High Court and that a counter application for the payment of R1 996 174 had succeeded. Shareholders were notified on 13 February 1997 that, on the advice of legal counsel, a decision had been made to apply for leave to appeal against the judgement handed down in the High Court. The application for leave to appeal is still to be heard.

Pending the outcome of the appeal, the Company intends to place approximately R39 million, to cover the cost of the Pensioners' Medical Aid contributions, the counter claim, legal and administrative costs, in an appropriate Trust specially created for the purpose of discharging the liabilities which will become payable if the appeal does not succeed.

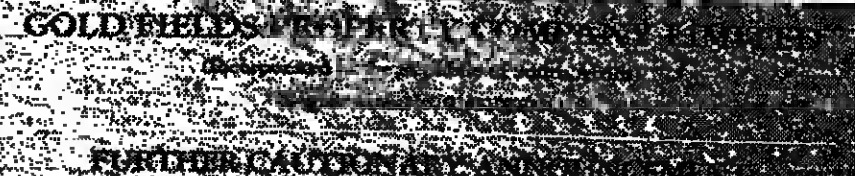
In view of the proposed winding-up of the Company, shareholders are advised that should the appeal be successful, the amount held by the Trust, after paying legal and administrative costs, will be distributed to shareholders registered as such on a record date to be approved at a general meeting of shareholders to be called to consider the proposal to wind-up the Company. The record date will be announced in the press thereafter. Shareholders are advised that there may be a delay of as much as two years before the Supreme Court of Appeal hands down a final judgement.

Proposed winding-up of the Company

Shareholders are referred to the announcement published on 25 April 1997, in which it was stated that the directors of the Company intended to proceed with the winding-up of the Company as referred to in the circular to shareholders dated 18 September 1996 and in the Company's 1996 annual report. A circular to shareholders and a notice convening a general meeting of shareholders for the purpose of approving the winding-up of the Company are in the course of preparation and subject to the approval of the JSE will be posted to shareholders in due course.

Johannesburg

13 May 1997



Shareholders are referred to the previous cautionary announcements regarding the process for the disposal by the principal shareholder of its shares in this company and are advised that due diligence exercises are underway and accordingly caution should continue to be exercised when dealing in the shares of the company.

Johannesburg

14 May 1997

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COMPANIES AND FINANCE: ASIA-PACIFIC

HK Telecom seeks Singapore licence

By Alan Cane
in London

Hongkong Telecom and its parent, Cable and Wireless, the UK's second-largest telecommunications group, have joined the battle for Singapore's second national telecommunications licence.

Press Holdings, the two companies are bidding for a fixed-wire licence to operate from April 2000.

A consortium with the same partners, called MobileOne (M1), launched Singapore's second mobile network last month. Mr Richard Brown, C&W chief executive, said yesterday a fixed-wire licence "would enable us to dig our roots deeper in a market where we have

quickly become established through M1".

"The combination of C&W's worldwide experience, Hongkong Telecom's regional experience and the local market knowledge of Keppel and SPH makes us a powerful contender," he added. M1 already has 40,000 mobile subscribers.

The Singaporean telecommunications authority said last year it would grant

licences to a maximum of two operators, to compete with Singapore Telecommunications. Two months ago a consortium including British Telecommunications and NTT, the largest Japanese operator, became the first to enter the bidding. Applications must be in by May 31.

The bidding consortia must be owned at least 51 per cent by Singaporean companies. The partners

said yesterday that the shareholding structure of the new joint venture was still being finalised.

The Keppel Group is involved in shipbuilding and repair, property, banking, telecommunications and engineering.

SPH is a large publisher in the region with intensive newspaper interests, including the English-language Straits Times.

The future of Hongkong Telecom has been a source of intense interest over the past few days following the sale of a minority stake held by Citic Pacific to China Everbright, the investment arm of the Chinese state council.

There has been speculation that C&W might be forced to yield ownership of Hongkong Telecom to Chinese concerns.

ASIA-PACIFIC NEWS DIGEST

Low paper prices hurt Carter Holt

Carter Holt Harvey, the New Zealand forestry group, blamed cyclical price lows in wood products, pulp, paper and tissue for a 45 per cent fall in earnings to NZ\$251m (US\$175m) last year. The profit was in line with analysts' expectations. Mr John Faraci, chief executive, said that the company had offset some NZ\$246m in price erosion by locking in efficiency gains and cutting costs.

Earnings from associated companies, primarily Gopeco of Chile, fell from NZ\$126m to NZ\$75m, mainly because of poor pulp prices.

Mr Faraci said forestry and wood products businesses had faced extremely weak markets. A 43 per cent drop in wood pulp prices over the year had contrasted with modest growth in sales volumes. Terry Hall, Wellington.

Phone groups resist price cuts

Thai Telephone & Telecommunications, Thailand's private provincial telephone operator, has refused to cut its trunk-call charges, as requested by the state telephone authority, claiming it would be technically bankrupted if it were to do so. TelecomAsia, the fixed-line operator in Bangkok, also refused to trim prices for long-distance calls.

TT&T could lose money this year, compared with a profit of B442m (\$16.4m) last year, while TelecomAsia is expected to report a loss of B417m. TT&T said that after four years of operating fixed lines it had yet to break even and had been forced to borrow money from shareholders and take on syndicated loans.

TT&T is required to give 43.1 per cent of its revenue to the government while TelecomAsia has to give up 16 per cent. Both groups claim that contracts with their lenders prevent them from accepting big tariff changes, which the government is trying to impose.

William Barnes, Bangkok

Swire acquires Volvo rights

Swire Pacific, the Hong Kong conglomerate, is acquiring the rights to distribute Volvo cars in the territory and in south and central China, from Jensen & Co, a Hong Kong trading house. The deal marks Swire's entry into car distribution in Hong Kong. It has distributed Volvos in Taiwan since 1977 and in northern and eastern China since 1993.

Yesterday's announcement, which comes before a range of new Volvo models is launched in Hong Kong in the coming months, also reflects Swire's strategy of gradually building its operations on the mainland. It already holds dealerships for other products, including Reebok sportswear, and has several large industrial joint ventures, including bottling plants and breweries.

John Kidding, Hong Kong

NWI raises HK\$2.04bn

New World Infrastructure, the separately-listed arm of New World Development, the Hong Kong property developer, yesterday raised HK\$2.04bn (US\$263m) through a share placement. According to Crédit Lyonnais Securities Asia, lead manager, the issue was "several times" oversubscribed and saw strong demand from New York and London institutions, as well as local buyers.

The funds are to be used as working capital, and will support New World Infrastructure's growing pipeline of projects in China. These include toll roads, bridges and power stations.

Louise Lucas, Hong Kong

ANA president to quit this summer

By Michio Nakamoto
in Tokyo

ANA, the Japanese airline, announced that Mr Seiji Fukatsu, president, would resign in the summer and be replaced by Mr Kenzo Yoshikawa, currently president of ANA Real Estate.

The sudden departure of Mr Fukatsu, who had navigated Japan's second-largest airline through deregulation, has shocked the industry, which had expected him to run for a third term.

Reports suggested Mr Fukatsu's resignation was the result of an internal coup by elder members of

the ANA management - in particular, Mr Tokuji Wakasa, honorary chairman, and Mr Takaya Sugura, chairman.

Mr Fukatsu has been ANA's most outspoken proponent of globalisation and had set a target for the company to increase revenues from international business from 30 per cent currently to 50 per cent.

The 64-year-old president was also known for his views on deregulation. He accepted the idea of "open skies", which the US has been seeking to achieve in its bilateral aviation accord with Japan.

Acquisition boosts St George Bank

By Nikki Tait in Sydney

St George Bank, the Australian regional bank which earlier this year acquired Advance Bank in a \$42.7bn (US\$2.1bn) deal, yesterday announced an after-tax profit of A\$98.7m for the six months to end-March, compared with A\$74.5m a year ago.

The bank, now Australia's fifth largest, said the result included two months' contribution from Advance of A\$19.1m. The profit was scored after minorities and the dividend on its converting preference shares.

It also came after a 49.6

per cent increase in the charge for bad and doubtful debts, to A\$18.9m. However, St George said that as a percentage of average assets, the charge fell slightly, from 0.17 per cent a year ago to 0.14 per cent.

During the half-year, the enlarged bank's net interest margin also fell, from 3.47 per cent to 3.16 per cent.

The bank acknowledged that the increasingly competitive retail banking market in Australia was largely responsible.

Banks have been facing pressure from non-bank lenders in the lucrative home loans market.

By Gwen Robinson in Tokyo

Shiseido, Japan's leading cosmetics maker and the fourth largest in the world, yesterday announced record sales and profits in the year to March, largely because of an aggressive new strategy to boost overseas sales and restructure domestic and international marketing.

Consolidated recurring profit in the year to March 31 surged 16 per cent to ¥41bn (\$346m) and group sales grew 4.9 per cent to ¥583.6bn. Profit after tax rose 9.4 per cent to ¥19.2bn.

Overseas sales jumped 28 per cent and now represent 11 per cent of total sales. Last year Shiseido launched a five-year plan to more than triple overseas sales so that they would account for 25 per cent of the total.

Domestic sales grew only 2.7 per cent, reflecting intensifying price competition in Japan, particularly in toiletries.

For the current year, Shiseido expects overseas sales to jump 33 per cent and domestic sales to edge up 4 per cent, lifting the group's overseas sales ratio to 14 per cent.

Shiseido expanded its overseas sales networks last year, adding Brazil, Turkey, Israel, Cyprus and the Czech Republic, to bring the total number of countries covered to 48.

China showed the fastest growth, almost doubling sales in the year and reinforcing Shiseido's plan to expand Asian sales to account for 40 per cent of total overseas sales.



Global reach: Japanese cosmetics group's overseas sales network now covers 48 countries

Shiseido also raised overseas production at some of its factories in France, the US, China, Taiwan and New Zealand.

The company last month announced the acquisition of factories in the US, which it said would help boost North American output 120 per cent by 2000.

Shiseido bought Helene

Curtis's professional products business in the US and Canada last November. Last month it acquired one of two Helene Curtis units in Japan, and has signalled interest in other acquisitions in Japan and abroad.

This year it expects consolidated recurring profit to increase 4.9 per cent to ¥43bn on net sales of

¥630bn, up 7 per cent. Profit after tax is projected to rise 9.6 per cent to ¥21bn.

The company plans to maintain an annual dividend of ¥12.5 a share.

Shiseido shares rose ¥30 to ¥1,770, up from ¥1,300 at the end of the interim reporting period last September and well above ¥1,450, the highest level reached last year.

The Togolese Republic



Restricted public tender for the sale of a 38% stake in
Office Togolais des Phosphates (OTP)
to a strategic investor

The Government of the Togolese Republic, as part of its ongoing privatization program, hereby announces a public tender open to prequalified strategic investors willing to acquire a 38% share in the capital of OTP. The phosphate rock industry has been a key sector for the Togolese economy and in 1996, OTP accounted for 40% of total Togolese exports. OTP is the world's fifth largest exporter of calcium phosphates with exports totalling more than 2.7 million tons in 1996. The high quality ore (78% BPL) is extracted from two open-cast quarries located approximately 30 km inland from the treatment plant and export port of KPEME.

The Government of the Togolese Republic has appointed PARIBAS as its exclusive financial adviser in all aspects of the transaction; this project is supported by the World Bank.

In order to participate in the public tender, prospective strategic investors need to be prequalified and should contact the Ministère des Sociétés d'Etat et du Développement de la Zone Franche in Togo or PARIBAS to obtain the prequalification documents. Required prequalification information should be filed with the Ministry no later than June 30th 1997.

For further information, please contact at your earliest convenience:

Ministère des Sociétés d'Etat et
du Développement de la Zone Franche
M. Koffi WALLA
Président de la Commission de privatisation
Tél: 228-212144, Fax: 228-214305
M. DJATO-BOUGONOU
Directeur du Portefeuille
Tél: 228-222284, Fax: 228-225779
Avenue Nicolas Grunitzky
B.P. 2748 Lomé - Togo

PARIBAS

Jean-Michel DOUBLET
Responsable Cellule
Marchés Emergents
Tél: 33-1-42-98-14-87
Valérie CLAR
Tél: 33-1-42-98-18-51
PARIBAS
4, rue d'Antin
75002 Paris - France
Fax: 33-1-42-98-11-94

The Leader in Bank Yankees.

| | | |
|---|---|--|
| <p>Country: Austria February 1997</p> <p>U.S. \$700,000,000</p> <p>Bank Austria Aktiengesellschaft</p> <p>7.25% Subordinated Notes Due 2017</p> <p>Bookrunner: Salomon Brothers</p> | <p>Country: France January 1997</p> <p>U.S. \$350,000,000</p> <p>Banque Nationale de Paris New York Branch</p> <p>7.20% Subordinated Notes Due 2007</p> <p>Bookrunner: Salomon Brothers</p> | <p>Country: The Netherlands November 1996</p> <p>U.S. \$400,000,000</p> <p>ABN AMRO Bank N.V. Chicago Branch</p> <p>7.30% Subordinated Callable Notes Due 2026</p> <p>Joint Bookrunner: Salomon Brothers</p> |
| <p>Country: United Kingdom October 1996</p> <p>U.S. \$500,000,000</p> <p>Abbey National plc</p> <p>7.35% Perpetual Callable Subordinated Reset Capital Securities</p> <p>Bookrunner: Salomon Brothers</p> | <p>Country: The Netherlands June 1996</p> <p>U.S. \$750,000,000</p> <p>ABN AMRO Bank N.V. New York Branch</p> <p>7.550% Subordinated Notes Due 2006</p> <p>Joint Bookrunner: Salomon Brothers</p> | <p>Country: France May 1996</p> <p>U.S. \$800,000,000</p> <p>Société Générale New York Branch</p> <p>7.40% Subordinated Notes Due 2006</p> <p>Bookrunner: Salomon Brothers</p> |

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|--|--|
| <p>Country: Spain November 1995</p> <p>U.S. \$200,000,000</p> <p>Santander Financial Instituciones Ltd</p> <p>7.25% Subordinated Guaranteed Notes Due 2016</p> <p>Bookrunner: Salomon Brothers</p> | <p>Country: Spain July 1995</p> <p>U.S. \$200,000,000</p> <p>Santander Financial Instituciones Ltd</p> <p>6.80% Subordinated Guaranteed Notes Due 2006</p> <p>Bookrunner: Salomon Brothers</p> |
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Melanie Miles

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Tel: +44 0171 873 3349

Fax: +44 0171 873 3064

FIDELITY FRONTIER FUND
Société d'Investissement à Capital Variable
Kansallis House - Place de l'Etoile
B.P. 2174, L-1021 Luxembourg
R.C. Luxembourg B 20 494

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Fidelity Frontier Fund SCAV (the "Company") will be held at the registered office of the Company in Luxembourg on May 23, 1997 at 11.15 a.m. to consider the following agenda:

1. To hear the report of the auditor to the liquidation.
2. To approve the report of the liquidator and to the auditor to the liquidation.
3. To grant discharge to the liquidator and to the auditor to the liquidation.
4. To grant discharge to the Directors in office at the date of liquidation.
5. To resolve the close of the liquidation of the Company.
6. To resolve to keep the records and books of the Company for a time of 5 years at the registered office of the Company.
7. To note that proceeds which have not been distributed will be transferred to the Caisse des Consignations to be held for the benefit of the persons entitled thereto.

If you are not able to attend the above Extraordinary General Meeting, you are urged to execute and return a proxy to the registered office of the Fund prior to the date of the meeting. Proxies can be obtained from the registered office of the Fund.



COMPANIES AND FINANCE: EUROPE

Telecoms alliance seeks new partner

By Nicholas Denton
in London and Ralph Atkins
in Bonn

Five international telecommunications operators have been invited to bid to replace Cable and Wireless in the German telecommunications alliance abandoned by the UK-based carrier in February.

They are NTT, the largest Japanese operator; Stet, the Italian national carrier; BellSouth and SBC Communications, the US regional Bell operating companies; and

GTE, the US local operator. The replacement of C&W, and the earlier loss by British Telecommunications of one of its partners, is part of the manoeuvring for position in the German market ahead of liberalisation in 1998.

On offer is a 22.5 per cent participation in o.tel.o, the new telecommunications operation in which Veba and RWE, the two German utilities, have stakes of 40 per cent and 37.5 per cent, respectively.

C&W, having re-examined

the cost of its expansion in continental Europe, agreed in February to sell back its o.tel.o stake to Veba for DM2.21bn (\$1.3bn).

The winning bidder is expected to pay a similar price, adjusted for Veba's DM450m acquisition of Urbana, the German cable television network.

The o.tel.o group aims to compete with Deutsche Telekom, the national carrier, and take over 10 per cent of the DM30bn German telecommunications market.

The business, as well as

having rights of way along Veba and RWE power lines to lay cables, has a 30.1 per cent stake in E-Plus, one of the leading digital wireless services in Germany.

It is understood that the German utilities, which are being advised by Lehman Brothers, the US investment bank, sent out a document to potential bidders last week outlining the state of o.tel.o's build-out and finances.

Mr Ulrich Hartmann, Veba chairman, said he hoped for a deal by the end of the year.

He confirmed talks were under way with BellSouth, a partner in E-Plus, and the other two US carriers.

The successful bidder would provide telecoms expertise as well as investment. However, none of the five would bring to o.tel.o a link with one of the global alliances which increasingly dominate international traffic.

All three global alliances - Concert, AT&T Unisource and GlobalOne - are already linked with other German groups.

Agnellis reduce stake in Unicem

By Paul Betts in Milan

The Agnelli family IRI and IRI holding companies yesterday announced a further restructuring of their industrial investment portfolio with the sale of an initial 20.5 per cent stake, and options, worth about L380bn (\$225m) in Unicem, Italy's second largest cement group, to the family-run Fratelli Buzzi cement company.

The latest deal comes barely a week after IRI forged a long-term alliance between Rinascente, the Italian retailer it controls, and the privately-owned Anchar supermarket group of France.

Both deals reflect the strategy of the Agnelli holdings to develop alliances to strengthen the activities of their diverse investments, while raising cash and bedding portfolio risks.

IRI and IRI own 50.3 per cent of Unicem, which after extensive restructuring is now profitable with net earnings of L37.5bn on sales of L873.3bn last year.

IRI yesterday agreed to sell to Fratelli Buzzi, a cement producer with net profits of L50.5bn on sales of L485.5bn, an initial stake of 20.5 per cent in Unicem at a price of L18,800 a share - a 50 per cent premium on Unicem's closing share price on Monday of L12,480. Unicem shares were suspended yesterday ahead of the announcement.

Fratelli Buzzi will also have the option of acquiring additional IRI shares in Unicem for the same price to increase its stake to 27.6 per cent.

It also acquired a further option to buy Unicem convertible bonds held by IRI which, if converted, would further increase Fratelli Buzzi's stake in Unicem.

IRI said the sale of the initial 20.5 per cent stake would raise L245bn, while the options on the convertible bonds would bring in an additional L135bn for an overall total of L380bn. Should Fratelli Buzzi exercise further options to acquire IRI's remaining stake by 2004, the Agnelli holding would raise a further L320bn.

Under Italian takeover regulations, Fratelli Buzzi will be required to make a public offer because of change in the control of Unicem.

Last week, IRI's retailing alliance with Anchar and its Rinascente subsidiary provoked a storm among Rinascente's minority shareholders because it was so structured that it did not require a public offer.

IRI said yesterday that Unicem and Fratelli Buzzi had complementary activities in Italy and the US. The agreement also reflected the trend of consolidation in the industry.

A new three-year restructuring plan is also about to be launched at Galbani, the Italian foods group producer of "Bel Paese" cheese controlled by Danone of France and in which IRI has a 10 per cent stake.

EUROPEAN NEWS DIGEST

Southern group to buy Bewag stake

A group led by Southern Company of the US is to buy a majority stake in Bewag, the Berlin electricity utility, making Southern the first foreign company to take a controlling share in a German utility. The city of Berlin announced yesterday it had agreed to sell for DM3.19bn (\$1.87bn) its 50.8 per cent stake in Bewag to the consortium which includes Southern as well as the German industrial groups Veba and Viag.

The deal, which is subject to approval by European Union cartel authorities, means the consortium will control about three-quarters of the utility's shares. Each of the three companies will hold a quarter stake in the utility but Southern will take management control. The remaining portion of the shares will remain publicly owned. Mr A. W. Dahlberg, Southern Company chairman, said: "This is by far the most significant investment undertaken by an American company in continental Europe's electric utility industry." Southern bought SWEB, the UK electricity utility in 1995, but the deal with Bewag marks its first push into the continental European market.

An analyst at UBS in New York said: "This is part of Southern's strategy of taking the cash they are generating in the US and trying to build up regional businesses in areas that have the potential for higher growth than in the US." Mr Barney Rush, a corporate officer of Southern Company responsible for European development, said: "This is the right way for an American company to enter into continental Europe and to be able to seize the growth opportunities in Europe that will be very much like those we are seeing in the US at present."

The deal ends a period of speculation about potential buyers of Bewag after the Berlin authorities came under pressure to sell its share in the utility to ease their financial problems. But analysts said the city could have got more for its stake if it had not been under such pressure to sell quickly. "The authorities were trapped between a lack of bidders and a financial emergency," said Mr Joeri Sels, analyst at WestLB Research in Germany. He said the sale could have raised as much as DM3.5bn.

Ms Annette Fugmann-Hessing, Berlin's finance minister, said the three companies pledged to hold their 50.8 per cent stake for a minimum of 20 years. She said she expected a favourable ruling from the European Union cartel authorities.

Southern Company will be able to appoint four of the 10 non-union seats on the company's board, Mr Rush said. Veba and Viag already held 10 per cent stakes in the utility.

Graham Bowley, Frankfurt

Paribas in control at Bancaire

Paribas, the French financial group, said yesterday it had acquired more than 50 per cent control over Compagnie Bancaire, its specialist financial services subsidiary. It said it had increased its stake from 47 per cent over the last few weeks, and now held 50.28 per cent of the shares and 50.01 per cent of the voting rights in the company.

Paribas stressed that it had no intention of increasing its shareholding further, and that its action had been designed to consolidate its hold over Bancaire. It said that Bancaire was an integral part of its strategy, as the centre-piece of its specialist financial services activities. The Paribas group's other core business is international investment banking.

Paribas became the leading shareholder of Compagnie Bancaire in 1979, and has forged a number of commercial alliances with its subsidiaries, including Cardif, the life insurance arm, and Cortal, its savings business. Compagnie Bancaire, which also provides direct banking, property investment and consumer credit services, reported an exceptional loss of FF1.2bn (\$200m) for 1996 after taking FF2.5bn in provisions, compared with profits of FF600m in 1995. Apart from Paribas, the French state-controlled institution Caisse des Dépôts et Consignations owned 4.6 per cent when figures were last released for the end of 1995, with GPA-Vie holding 0.92 per cent and other companies and mutual funds between them 42.7 per cent.

Andrew Jack, Paris

Mannesmann, Telekom in deal

Deutsche Telekom and one of its new competitors, Mannesmann, the industrial conglomerate which is building its own telecommunications business, have announced plans to co-operate in providing information to new-generation "intelligent" car navigation systems. A jointly-owned company DDG, based in Düsseldorf, will supply information on traffic conditions for use by subsidiaries of the two companies set up to offer the new service, T-Traffic and Mannesmann Autocom. Although Mannesmann has sought to present itself as one of the main challengers to Deutsche Telekom - a process expected to be accelerated when the German market is fully liberalised in January - yesterday's deal will allow the development of common standards for traffic information systems.

Mannesmann and Deutsche Telekom said, however, that co-operation would be limited to the collation of information. Autocom and T-Traffic - part of Deutsche Telekom's mobile telephone operations - will remain rival service providers. T-Traffic said its systems was expected to be available later this year.

Ralph Atkins, Bonn

Bidders for Retevisión line up

By Tom Burns in Madrid

Deutsche Telekom and AT&T, the largest US telecoms operator, have stayed out of the battle to acquire Retevisión, the second telecoms operator in the attractive Spanish market.

However, the German company yesterday signalled it may re-enter the market if its allies in the Global One group win.

"We took a decision concerning a bid at the end of last week, to the effect that our French colleagues [France Telecom] will take the lead while we will keep an option. We have decided to stand back," Mr Ron Sommer, Deutsche Telekom chief executive, said yesterday.

Retevisión said three groups had submitted bank guarantees for Pta1bn (\$6.9m) to secure bids for the operator by June 9.

A consortium called Opera is led by Banco Central Hispano, the big domestic banking group, and is backed by

the Deutsche Telekom's Global One partners France Telecom and Sprint of the US.

AT&T has surprised some observers by not accompanying Germany's Mannesmann in a joint bid. In spite of its links with Unisource - the alliance of the Dutch, Swedish and Swiss operators that has a strategic agreement with AT&T - and its informal ties with Stet, the Italian telecoms company, Mannesmann will present a bid on its own.

Stet has also avoided international tie-ups. It will jointly lead a bid with Endesa, the Spanish government-controlled power group, which is backed by Unión Fenosa, the third-ranked electricity generator in Spain, and by a clutch of regional savings banks.

The final line-up for Spain's second operator will be decided by the end of the bidding process at the last minute because of balance sheet constraints, but it is expected to be present in the Spanish market, should Opera acquire Retevisión, through its Global One partnership.



Ron Sommer: Deutsche Telekom keeping options open

which Retevisión will compete, severed its links with Unisource last month and joined the Concert alliance of British Telecommunications and MCI, of the US.

"The Retevisión licence gives the companies an opportunity to reappraise their positions in Europe," said Mr Bill Coleman, telecommunications analyst at HSBC-James Capel in London.

Analysts view the Opera consortium as the front-runner because it has a high international profile.

Deutsche Telekom is believed to have opted out of the bidding process at the last minute because of balance sheet constraints, but it is expected to be present in the Spanish market, should Opera acquire Retevisión, through its Global One partnership.

BT-MCI link set for go-ahead

The European Commission will today clear the \$20bn merger between British Telecommunications and MCI, the US long-distance telecoms group, after imposing two substantial conditions, writes Emma Tucker in Brussels.

The competition authorities in Brussels were worried that the deal as it stood would have created a dominant position in the UK audio and video conferencing market, as well as reinforcing the strength of the companies in the market for transatlantic telephone calls.

BT will have to guarantee access for competitors to its transatlantic submarine cables at reasonable prices to ensure that it does not have a monopoly on the route.

It will also have to divest MCI's audioconferencing business in the UK.



SECTOR
COMUNICACIONES
Y TRANSPORTES

caminos y
puentes

MARKET STUDY OF SYSTEMS AND TOLL EQUIPMENT SUPPLIERS

Invitation to the analysis of enterprises interested in participating on international bidding for supply, installation and starting the new toll system of Caminos y Puentes Federales de Ingresos y Servicios Conexos (Capufe)

Caminos y Puentes Federales de Ingresos y Servicios Conexos, Decentralized Public Authority of Federal Government of Mexico, operator of the most important toll highways and bridges, will renew the register and recovery infrastructure, including:

- Modify the facilities of traffic and toll managing.
- Design and installation of an informatic system to manage the traffic and toll data.

The renovation process is expected, to be completed in a 35 month period. Renovation comprises 54 toll plazas with 310 toll monodirectional lanes and 24 bidirectional lanes. Of them, 128 lanes will be equipped with radiofrequency toll equipment. The execution will be divided in two stages.

First stage: From 12 to 15 months
Develop of the new toll system and validation of a pilot project with 4 toll plazas with 61 monodirectional lanes and a bidirectional one, 25 of them will have radiofrequency toll equipment.

Rest of first stage: 12 months
Renovation of 30 toll plazas.

Second stage: 9 months
Renovation of the rest of the toll plazas.

Important Note: The whole completion of the first stage will be subject to the proper performance of the systems and equipment installed in the pilot project, in accordance with fixed conditions on the bidding technical bases. Otherwise, the contract will be rescinded. For the second stage Capufe will have the right to continue or finish the renovation of the toll plazas.

For these purposes, Capufe will organize an international bidding procedure with the participation of specialized companies. Remark: Renovation will be handled as a "Turn key project" (including civil works, equipment and electric requirements) In order to conform a catalog of possible suppliers, the companies interested to participate in this evaluation must send us the following information in Spanish or English.

- Technical experience in:
 - Design, construction and / or integration of toll equipment for entrance lanes, exit lanes and radiofrequency toll equipment.
 - Conception and implementation of studies related to informatic toll systems.
 - Design, development, installation, integration, testing of software in real time for toll lanes informatic systems, toll plaza systems and general toll operation systems.
 - Informatic systems and informatic platform in hardware and software.
 - Utilization of magnetic bands and hiperfrequency (Automatic Vehicles identification).
 - Installation on sites, within the toll plazas, of the equipment and systems of toll control.
 - Delivery and installation of toll booths.
 - Design and supply of electric installation, as well as the installation of local computer nets.

- Interested companies should declare their conformity to:
 - Carry out test to the equipment in factory, laboratory that will be determine by Capufe and the sites where they will installed.
 - Training of personnel on the operation and maintenance of the equipment.
 - Transferring know-how and technologies.
 - Post-installation technical support, as well as preventive and corrective maintenance of the supplied equipment.

- Legal and administrative information:
 - Firm Name
 - Main office address
 - Annual Memory and commercial covering at international level.
 - Name of the Corporate Group.
 - Dates of constitution of Corporate Group and the affiliated companies.
 - Status in Mexico, otherwise, availability to establish a representation in this country.
 - Structure of your work team and background of the possible leader of the project.

- Commercial information:
 - Sites where the specific studies will be develop and programs of computation that would respond to the technical bases established by Capufe.
 - Catalogs or pamphlets of the products and / or services offered.
 - Contractual references applied in Mexico and in other countries.
 - List of clients who are operating your systems.
 - Name of possible associates to conform a managerial cartel for this project.

In the cases of conforming a commercial cartel to satisfy the requirements of Capufe, it is necessary to give financial, technical administrative, legal and commercial information of each one of the companies that will integrate the cartel. Caminos y Puentes Federales de Ingresos y Servicios Conexos reserves the rights to verify the information supply.

Please send your information before May 30, 1997 to:

Caminos y Puentes Federales de Ingresos y Servicios Conexos
Attn.: Lic Antonio Gazol Sanchez, Director General Adjunto
Calle de los Reyes No. 24 Col. Tetela del Monte
C.P. 62130 Cuernavaca, Morelos, Mexico
Tel: (5273) 29-21-09 or (5273) 29-21-10 Fax: (5273) 29-21-08
E-Mail: paje@CAPUFE.gob.mx

If you require additional information on the commercial activity of Capufe, please send your questions to the above mentioned E-mail.

Cuernavaca, Mor. April 25, 1997

JCI Limited



Incorporated in the Republic of South Africa
(Registration number 65/0989/005)
(JCI or "the Company")

RESULTS OF ELECTION TO RECEIVE AN INTERIM DIVIDEND INSTEAD OF THE CAPITALISATION AWARD AND AN ELECTION TO SUBSCRIBE FOR NEW SHARES

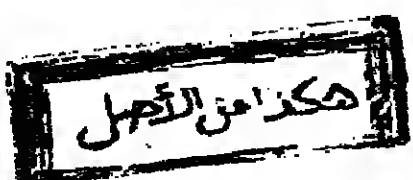
The right of election to receive an interim dividend instead of an award of capitalisation shares ("the Capitalisation Award") and the right of election by those shareholders electing the dividend to apply the dividend in subscribing for new JCI shares ("the Subscription") made to ordinary shareholders registered at the close of business on Friday, 4 April 1997 ("the record date"), closed at 16h00 on Friday, 9 May 1997. The weighted average traded price of JCI ordinary shares on the Johannesburg Stock Exchange on Thursday, 8 May 1997 was R42,07829. Accordingly, the award of capitalisation shares and the subscription for new shares was determined as a ratio of 0,64166 new shares for each 100 shares held on the record date.

Elections to receive the interim dividend of 25 cents per share in respect of the six months ended 31 December 1996 instead of the Capitalisation Award were received in respect of 103 879 545 shares. Accordingly, an interim dividend of 25 cents per share was declared on 13 May 1997 over 103 879 545 ordinary shares in respect of the six months ended 31 December 1996. Elections to apply this dividend in subscribing for new shares in JCI were received in respect of 73 935 173 of these shares. An amount of R18 483 793 was therefore applied in terms of the Subscription. Accordingly, 787 751 new fully paid JCI ordinary shares of 0,000671579 cents each have been allotted in terms of the Capitalisation Award and the Subscription and the issued share capital of JCI has been increased to 153 574 162 ordinary shares.

The listing of 787 751 new ordinary shares in JCI will commence on the Johannesburg Stock Exchange from the commencement of business on Wednesday, 14 May 1997.

Cheques in respect of the interim dividend and shares sold for the benefit of shareholders, as well as share certificates, will be posted to shareholders on or about Wednesday, 14 May 1997.

Johannesburg
14 May 1997



COMPANIES AND FINANCE: EUROPE

Row over Thomson heats up

By David Owen in Paris and Graham Bowley in Frankfurt

Alcatel Alsthom yesterday went on the offensive in the battle for Thomson-CSF, the French state-controlled electronics giant. The telecoms and engineering group warned that a competing bid from Lagardère, the French conglomerate, would lead to the break-up of Thomson.

As the temperature mounted in exchanges over the future of a company whose fate is seen as vital to the European defence sector, Mr Serge Tchuruk, Alcatel chairman, said Lagardère would be forced to enter complex structures in which it would cede majority control to finance an operation

that was beyond its means.

His comments came as Mr Yves Michot, chairman of Aerospatiale, the French state-owned aircraft and defence company, hit out at Germany's Daimler-Benz Aerospace (Dasa) for teaming up with Lagardère before the winner of Thomson was known.

In a strongly worded interview, Mr Michot told Les Echos, the French financial daily, that it would have been "normal" for Dasa - which, like Aerospatiale, is a partner in Europe's Airbus Industrie civil aircraft consortium - to have awaited the choice of the French government before associating itself with the winner.

He warned that forming

an alliance against Aerospatiale was "signing the death warrant of Airbus", British Aerospace, another Airbus partner, is to back Lagardère's bid with £300m (\$487m).

However, Dasa said yesterday: "Emotions are in play in France at the moment, it seems. But we have made our decision on the merits of the issue. After having talked to both contenders, we thought that we would find ourselves in co-operation with Lagardère in the best position for the future structure of the industry in Europe."

Meanwhile, Mr Tchuruk and Mr Serge Dassault, with whose Dassault group Alcatel has made an offer for

Thomson, also criticised Lagardère for agreeing to the deal with Dasa before the winner was known.

Although some of Mr Dassault's comments had a distinctly nationalistic tone, Mr Tchuruk emphasised Alcatel would quickly hold talks with other leading European defence companies if its offer were accepted.

The UK's GEC said this month that, whichever side woo Thomson, it would negotiate links between GEC-Marconi, its defence unit, and Thomson-CSF.

Lagardère later hit back, accusing its rivals of using "untruthful arguments". "Who can believe that Lagardère will dismantle Thomson-CSF?", it asked.

Lower demand for gas hits Repsol profits

By David White in Madrid

Repsol, the Spanish oil, gas and chemicals group, yesterday announced a 12 per cent fall in net profits to Ptas1.04bn (\$218m) in the first quarter, its first results since it was fully privatised last month.

However, it said operating profits had remained almost level at Ptas3.12bn and described the quarterly performance as "very positive" in the circumstances. Its gas business was hit by lower household demand - a consequence of moderate weather - and a government-imposed freeze on prices. But the rest of the group's activities in Spain and Latin America were "fully satisfactory", it said.

The figures, which were below market expectations, were announced just before the close of trading on the Madrid stock exchange, where Repsol shares ended unchanged at Ptas6,080.

This compares with the price of Ptas6,010 set for institutions in the April share offering, and a discounted price of Ptas5,808 for retail investors. The heavily oversubscribed privatisation issue, in which the state sold

its last 10 per cent holding in the group, brought in net revenues of about Ptas170bn. The fall in net earnings reflected higher depreciation charges. Like other Spanish companies, Repsol said it had taken advantage of a facility to revalue its fixed assets in order to generate tax savings.

The company said it had managed to offset most of the short-term impact of this revaluation as well as the setback in its gas business.

Operating results from gas tumbled from Ptas2.23bn in the same quarter last year to Ptas1.04bn. Its propane and butane gas activities slipped into the red with a quarterly operating loss of Ptas564m, while earnings from natural gas - through Gas Natural, the company in which Repsol is the main shareholder with a 45 per cent stake - fell by 14 per cent.

On the other hand, chemicals fared better after last year's downturn, with a 30 per cent improvement in first-quarter operating profits to Ptas7.25bn. Earnings from refining and marketing rose 13 per cent to Ptas22.91bn, helped by the strength of the US dollar against the peseta.

Financial trading boosts WestLB

By Andrew Fisher in Düsseldorf

Westdeutsche Landesbank, Germany's biggest public sector bank, made a positive start to the year with a 7.5 per cent rise in first-quarter operating profits before risk provisions.

Higher earnings from financial trading, which had also produced a sharply higher result in 1996, contributed to the advance, as did lower costs.

While the first quarter could not be taken as a guide to the full year, the bank expected another satisfactory result in 1997, Mr Friedel Neuber, chairman, said.

Last year, operating profits before risk pro-

visions were 3.6 per cent higher at nearly DM1.9bn (\$1.12bn).

The operating result was up 10.5 per cent at DM1.89bn after provisions, which fell from DM573m to DM507m, mainly because of reduced foreign loan risks.

Net income rose 10 per cent to DM736m.

Mr Neuber said the expansion in investment banking, with an increased presence in London through West Merchant Bank and Panmure Gordon, the UK stockbroker bought last year, made a large contribution to profits.

Some 35 per cent of WestLB's income came from trading and commission business, against 30 per cent in 1996.

INTERNATIONAL NEWS DIGEST

AssiDomän upbeat despite 56% fall

AssiDomän, the Swedish forestry group, yesterday confirmed global pulp and paper price weakness by revealing a 56 per cent fall in pre-tax profits to SKr360m (\$46.84m). The result came on a decline in sales from SKr5.01bn to SKr4.82bn. However, it joined competitors such as Metsä-Serla of Finland in predicting an improvement for the rest of the year.

The company said the market for paper and cardboard had turned upward in the first quarter. "The generally weak situation in the market for paper and cardboard in 1996 was replaced by a positive development for the majority of AssiDomän products in the first quarter of 1997," AssiDomän said yesterday.

However, it was less hopeful about the pulp sector. "The pulp market remains uncertain," it said.

The company also said yesterday it was in talks about acquisitions in Asia.

Reuter, Stockholm

Strong growth at SAB

South African Breweries, the world's fourth-largest, celebrated a year of record growth in foreign markets by announcing a solid rise in full-year profits. Earnings from international beer interests rose 48 per cent to R256m, which helped boost pre-tax profit by 14 per cent to R3.4bn (\$770m). Turnover in the year to December 31 rose 13 per cent to R36.9bn, and earnings per share by 12 per cent to 606 cents. The final dividend was 222 cents a share, bringing the total for the year to 287 cents, compared with 250 cents previously.

Analysts applauded the results, which they said were in line with expectations. In spite of a downturn in consumer spending in South Africa, earnings from local beer interests were 16 per cent higher at R1.17bn, which offset a decline in earnings from the retail, hotel and manufacturing interests.

Mark Ashurst, Johannesburg

DnB lifts offer for BNbank

Den norske Bank, Norway's largest commercial bank, yesterday lifted its offer for shares in BNbank by Nkr5 a share to Nkr203. It also said if it failed to gain acceptance from 90 per cent or more of the shares, it would ask the government for dispensation to keep the equity it amassed. Under Norwegian law, a bank must either own 90 per cent or more, or 10 per cent or less, of the shares in another financial services company, although the government has the power to grant dispensations. DnB said it had obtained acceptances from shareholders controlling 68 per cent of BNbank, which is Norway's fifth-largest bank with assets of Nkr24bn (\$3.88bn).

DnB's bid for control of BNbank is one of three battles under way in Norway which could restructure the finance industry. Sparebankgruppen has made a bid for Fokus Bank, the fourth-ranking bank with assets of Nkr34bn, but has so far gained acceptances from only 10 per cent of the capital. Fokus Bank, meanwhile, has made a bid for BNbank, which looks set to fail. A proposed merger between Christiania Bank, the second-ranking commercial bank, with Uni Storebrand, the largest of Norway's insurance companies, may not be resolved until the end of June, when Storebrand's shareholders meet at an extraordinary meeting. A significant minority of Storebrand investors oppose the merger.

Hilary Barnes, Copenhagen

Cigna in Polish venture

Cigna International, the large US insurer, is to establish a joint venture in Poland - its first foray into the central and eastern European region. Cigna said yesterday it would link with Bartimex, a Polish trading company with an interest in insurance and which has specialised in trading Polish food products for Russian natural gas.

Christopher Bobinski, Warsaw

MARSH & MCLENNAN COMPANIES

has acquired

Johnson & Higgins

for \$1.5 billion

The undersigned acted as sole financial advisor to Marsh & McLennan Companies, Inc.

JPMorgan

March 1997

All of these securities have been sold. This announcement appears as a matter of record only.

New Issue/May 5, 1997

3,087,134 Shares

MARSH & MCLENNAN COMPANIES

Common Stock
(par value \$1.00 per share)

J.P. Morgan & Co.

Morgan Stanley & Co.

Donaldson, Lufkin & Jenrette
Securities Corporation
PaineWebber Incorporated

Merrill Lynch & Co.
Smith Barney Inc.

CONTRACTS & TENDERS

INVITATION TO TENDER
THE STATE PROPERTY FUND OF UKRAINE

hereby announces a non-commercial tender to sell a 51% equity stake in Potavsky Zavod Hazzoraznydykh Lamp (the "Company") Ukraine's Only Gas Discharge Lamp Manufacturer

The Tender is for the sale of 18,666,316 shares of common stock for an initial purchase price of 4,666,579 Ukrainian hryvnias (UAH). Investors shall make investments in the Company of at least 32,000,000 USD within a period of five years for the purpose of modernizing the Company's operations and further strengthening the Company's market position.

The Company is the only manufacturer of gas discharge lamps in Ukraine and one of three in the former Soviet Union. The Plant's annual production capacity is as follows: fluorescent lamps - 39 million pieces, high-intensity mercury lamps - 5.4 million pieces, high-intensity sodium lamps - 1.1 million pieces and 21.1 million starters.

The Tender commences on May 15, 1997. Tender Proposals can be submitted within a period of 60 calendar days from the date of the Tender announcement in the *Investytsiynyya Gazeta*, the designated newspaper of the State Property Fund. Tender proposals should be submitted directly to the State Property Fund of Ukraine by the established deadline.

Investors interested in participating in the Tender, must first submit a properly completed Application for Tender Documents to the Tender Committee and to the advisors of the State Property Fund, then to EPIC - European Privatization and Investment Corporation, KUNTO Investments & Securities, Ernst & Young (CIS) Limited and Squire, Sanders & Dempsey L.L.P. at the addresses indicated below. A non-refundable Application Fee in the amount of 1,000 UAH (or its USD equivalent) will be payable to the State Property Fund of Ukraine upon submission of the Application.

Tender Committee for Potavsky Zavod Hazzoraznydykh Lamp of State Property Fund of Ukraine
118/9 vul. Kuruzova
252193 Kyiv, Ukraine

EPIC, European Privatization and Investment Corporation
Pismagasse 8
A-1040 Vienna, Austria

Attention:
Mr Wolfgang Herritsch
telephone: (+43 1) 501190
fax: (+43 1) 501199

FIDELITY FUNDS SICAV

Société d'investissement à Capital Variable
Kassalla House, Place d'Alsace
B.P. 2174, L-1021 Luxembourg
R.C. No B 34036

Fidelity Funds SICAV has declared a quarterly dividend in respect of shares of the undemoted sub-fund held at close of business on April 30, 1997. The dividend amount, bearer coupon number and payment currency are as indicated below. In the case of registered shares, dividends will be paid or reinvested in additional shares of the relevant fund as appropriate on payment date of June 12, 1997. Dividends not cashed within 5 years from payment date will lapse and the dividend will revert to the Fund.

| SUB-FUND NAME | PAYMENT CURRENCY | DIVIDEND PER SHARE | COUPON NUMBER |
|--------------------|------------------|--------------------|---------------|
| Sterling Bond Fund | GBP | 0.0045 | 26 |

Dividends will be paid to holders of Bearer Shares in the currency of denomination of the sub-fund (or by arrangement with the Paying Agent and at the cost of the shareholder, in any other currency) against tender of the coupon number listed.

Paying Agent in Luxembourg:
BANKERS TRUST LUXEMBOURG S.A.
P.O. BOX 807
14, BOULEVARD P.D. ROOSEVELT
LUXEMBOURG

Paying Agent in France:
Banque Indosuez
96, bd Haussmann
75391 PARIS Cedex 08

Paying Agent in The Netherlands:
ABN-AMRO Bank
Herengracht 595
AMSTERDAM

Paying Agent in Sweden:
Svenska Handelsbanken
Blasieholmsgatan 12
10670 STOCKHOLM

Fidelity Investments

Standard Chartered

Standard Chartered PLC
US\$400,000,000 Undated Primary
Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 14th May 1997 to 16th June 1997 the Notes will carry interest at the rate of 6.125 per cent per annum.

Interest accrued to 16th June 1997 and payable on 14th July 1997 will amount to US\$58.15 per US\$10,000 Note and US\$561.46 per US\$100,000 Note.

West Merchant Bank Limited
Agent Bank

NATIONAL BANK OF CANADA

US\$ 250,000,000 Floating Rate Notes due 1999

In accordance with the Description of the Notes, notice is hereby given that for the Interest Period from May 12, 1997 to August 12, 1997 the Notes will carry an interest rate of 6.04375% per annum.

The Interest Amount payable on the relevant Interest Payment Date, August 12, 1997 will be US\$ 154.45 per US\$ 10,000 principal amount of Note and US\$ 1,544.51 per US\$ 100,000 principal amount of Note.

The Calculation Agent
Kreditbank Luxembourg

INFORMATION TECHNOLOGY

Electronic commerce • Louise Kehoe

A toe in uncharted waters

The problems of doing business over the internet have been highlighted by the struggles of a pioneer in the field

If you want to buy a minimum of 8,500 dozen tennis balls at a very low price from a Chinese manufacturer, or perhaps a new line of T-shirts that let the sun's rays penetrate to give wearers an all-body tan, offered by an inventor in Honolulu, the internet is the place to go.

These and many other products can be purchased via one of the dozens of trading bulletin board websites that have appeared on the Net over the past year.

No doubt some buyers and sellers find these websites useful. Yet for most businesses, purchasing supplies or selling goods via the internet is proving to be a much more complicated undertaking. The challenges of conducting day-to-day, business-to-business commerce via the internet have been highlighted by the struggles of IndustryNet, a pioneer in the field, which built an electronic marketplace for industrial supplies — everything from machine tools to cables and pumps.

On Friday, Nets Inc. the company behind IndustryNet, filed for bankruptcy-court protection. Jim Manzi, the former chief executive of Lotus Development who now heads Nets, said he was unable to raise funds needed to continue operations.

Beyond proving that "internet" and "electronic commerce" are no longer the magic words to open the coffers of US venture-capital funds, the announcement deflated much of the hype that has surrounded electronic commerce over the past year.

IndustryNet was too ambitious, industry analysts said. They gave the venture little chance of a comeback unless new funding could be found. Whatever IndustryNet's mistakes, its downfall provides a salutary lesson for companies that are rushing into electronic commerce. Despite its early lead, IndustryNet was overtaken by

rapid technology developments. While IndustryNet aimed to enable electronic commerce via a public website on the internet, much of the focus of business-to-business electronic commerce activity has now switched to private extranets: extensions of corporate intranets that reach out to suppliers and customers.

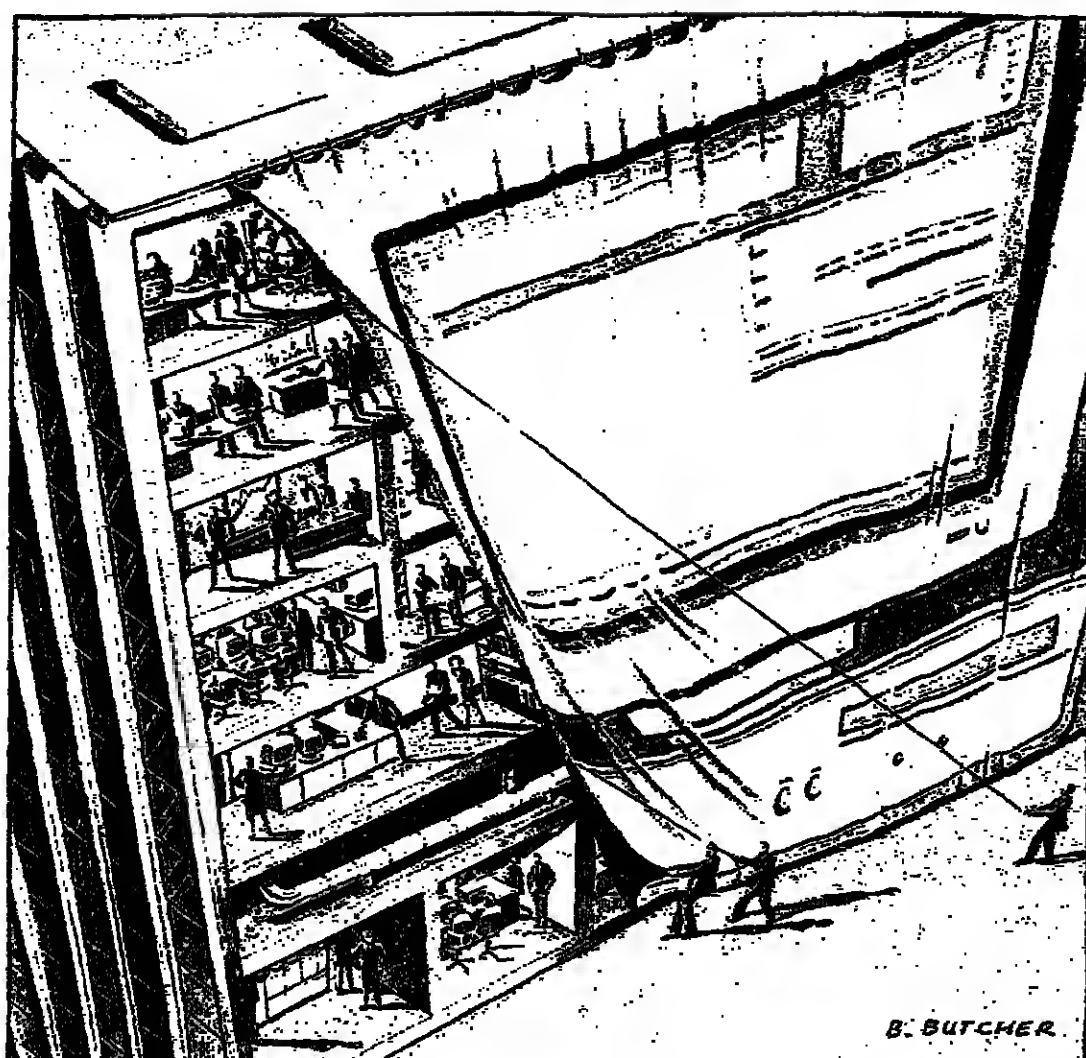
A business might, for example, allow suppliers to have access to its inventory database so that new parts could be delivered as needed. An extranet might also incorporate customer service applications, enabling a company to provide up-to-date information on orders, or provide distributors with new product and service information.

Just a year ago, electronic commerce meant simply selling goods or services over the internet. Today, the term is being used to refer to the use of internet technologies to enhance a wide range of business processes.

Unlike earlier proprietary electronic data interchange systems, businesses' internet-style networks are not limited to buy and sell functions. Rather, an extranet is an extended enterprise system that enables businesses to improve communications with a company's partners, suppliers and customers.

As companies explore the potential of electronic commerce in its broadest sense, many recognise that it involves fundamental changes in the way they operate, says Neil Isford, vice-president of network computing at International Business Machine's global services division. For most companies, he says: "This is new territory, uncharted waters."

The broad business implications of electronic commerce are only beginning to be recognised. Most of IBM's customers, for example, are in the initial stages of deploying electronic commerce, says Isford. However, as businesses forge ahead, they will need lots of help



B. BUTCHER

and many may simply outsource their computer systems operations. Yet the biggest challenges have little to do with technology. For example, manufacturers that rely upon distributors to sell their products are likely to run into problems if they offer the same products direct to customers via the internet or an extranet.

Similarly, companies that maintain limited customer service operations may find themselves overwhelmed if they cut out the middleman in favour of electronic sales. However, businesses that are tempted to take a wait-and-see approach in the wake of IndustryNet's decline might also take note of another electronic commerce development this week.

Having so far eschewed the internet, two of the leading book retailers in the US, Borders, and Barnes & Noble, are rushing to create websites to counter new competition from Amazon.com.

Amazon, one of the most successful retail sales sites on the internet, is luring some of the most frequent book buyers — the customers are now splitting their purchases between traditional book

retailers and the online seller. Projections for the growth of electronic sales revenues are immense. According to various US market research groups, business-to-business electronic commerce may be between \$70bn (£43.2bn) and more than \$150bn by 2000. While these figures are highly speculative, there is a broad consensus within the computer industry that electronic commerce will be huge and that it will bring fundamental changes to the ways in which businesses use information technology. "This is not just IT, this is it," says Osaka.

Information Technology
The FT's review of
Information Technology
appears on the first
Wednesday of each month

IBM unveils unbreakable code plans
IBM says its cryptography researchers have developed a truly unbreakable code. The strongest encryption technology in commercial use at present is 128 bit, which means the keys used by the sender and the recipient are each 64 characters long. A supercomputer would take years to crack a message coded in this way, but it would be possible. IBM says that its new technique, which has more scientific than practical use at present, eliminates even this theoretical risk. IBM, US: tel 914 765 1900; e-mail: qjta@almaden.ibm.com

Watching Brief is compiled by Nicholas Denton, e-mail: nick.denton@FT.com; fax: UK (0)171 873 3196

Information on the run

For the sales executive on the road, getting a message on a pager warning that a competitor has just cut prices or that stocks of the product are low is nothing new. But new software promises automatically to track the competition through their websites and generate alerts which can be sent to pagers, mobile phones or e-mail whenever the price — or anything else the user is interested in — changes.

The initial application of Headliner, the first product from Canadian company Lanacom, is as a "push technology," similar to that introduced by PointCast last year. This delivers information to the user's computer, cutting down on internet surfing. However, while PointCast — and several recent competitors such as Marimba's Castanet — rely on publishers to create content "channels" especially for their software, Headliner can take its content from any site on the World Wide Web. This allows Headliner to claim "local content" while PointCast and others are still providing almost exclusively North American channels.

Lanacom also avoids the cost of signing up publishers, and has no involvement in publishing. Because Headliner uses simple rules to decide where on Web pages it should take its headlines from, users can easily create their own set of rules — using a "content agent" — for their favourite sites. As Tom Watson, head of Lanacom Europe, points out, no other push technology could ever be ubiquitous enough to cover amateur sites or the Manchester United fan club, let alone your local newspaper. Pre-configured content agents already cover everything from The Johannesburg Star and Die Welt to Illinois' Edgebrook Times Review, and the list continues to grow.

James Mackintosh

It is this same technology which allows Headliner's professional version, due to go on sale at the end of the summer, to provide alerts when Web sites change, which can then be sent by e-mail, pager, fax or even to the screen of a GSM mobile phone. So a message could be automatically sent to the marketing department whenever the company's share price — retrieved from one of the many quote services on the Net — falls below a pre-defined level. However, the most useful applications come when the information is being collected from computers on an intranet. These are only accessible from within the company, so detailed information on, for example, stock levels and prices, can be used to generate the warnings.

The programme is designed to help cut the perceived problem of information overload, offering a customisable interface which can put different tickers on different parts of the screen — so headlines from the Financial Times could scroll quickly across the top while the latest cricket score is relegated to a small box and share prices run along the bottom. Clicking on a headline then takes the user to the full story on the relevant website.

Lanacom, founded by Tony Davis, creator of Delrina's WinFax communications software, is entering a crowded market, into which the big internet players, Netscape and Microsoft, are just starting to push. Watson refuses to predict how many companies will take up Headliner, but claims several large corporations are testing it, including a European mobile telephone group and the Canadian Wheat Board, which has to communicate with 150,000 farmers.

Enter the baby internet browser

Here comes the baby internet browser. International Business Machines, the US computer giant, has unveiled software which allows users to access the Web from small devices such as personal digital assistants.

NetDriver, developed by IBM Japan, can display Web pages written with the latest version of the HTML design standard and can run Java applets, small applications designed for distribution over networks, written in the new programming language from Sun Microsystems.

Another Java-enabled browser, HotJava from Sun, already exists, but IBM's development of NetDriver adds to the credibility of Java as a software basis for small devices.

Java browsers are the most serious competitor to Windows CE, the cut-down version of Microsoft's Windows operating system, designed for small devices.

Windows CE, Microsoft plans, will be able to run Java applications; but it will also support Microsoft desktop applications such as Word and Excel, bringing additional capability — and bulk as well, however.

IBM has also offered a glimpse of a browser which could give a facelift to old personal computers. WebBoy, the new software, can turn PCs powered by 386 chips into internet terminals.

NetDriver is believed to require less than 1MB of space, much less than the latest versions of the Communicator browser from Netscape or Microsoft's Internet Explorer.

IBM, UK: tel 01256 343107; e-mail: john.galvez@met.ibm.com

Watching brief



Buy now, speed up later

Do you want 56 kilobits per second now or 1,500kbps in a year? The internet speed junkie may not have to choose. Texas Instruments, the US semiconductor and hardware manufacturer, and US Robotics, the modem-maker, have come up with a solution called x2/DSL.

This technology uses digital signal processing chips and software to create a hybrid modem. It can intercept streams of data coming over the telephone line at the present peak speed of 56kbps, as well as the ADSL technology which telecoms companies are adopting to push speeds to 25 times that.

The theory is that users can confidently buy products from TI and US Robotics in the knowledge that it will last them through the next two upgrades in internet access technology.

Texas Instruments, US: tel 214 995 6611; web: www.ti.com/corp/docs/alliance

Race to entertain and inform

The race between the internet and CD-Roms to deliver multimedia

entertainment and information is speeding up. As manufacturers and internet service providers jump on the bandwagon of 56kbps modems, CD-Rom manufacturers are also delivering a boost to speed.

Two Japanese consumer electronics manufacturers, are both developing drives which will operate at twice the speed of their predecessors. Panasonic and Pioneer New Media have said they are making 24-speed drives: 12-speed drives had been the fastest in commercial production.

The latest drives, which take discs the size of audio CDs, can tap data at 3,600kbps. That means they maintain the edge on communications capacity over the internet.

But multimedia products delivered over the internet still have the advantage that they can be updated instantly. And technologies such as ADSL promise a further boost to internet speed.

Panasonic, US: tel 800 524 0884; web: www.panasonic.com

Internet professional information

Another financial information service — which would once have required dedicated terminals and cabling — is moving to the internet.

Dow Jones, the US publisher of the Wall Street Journal and owner of Dow Jones Markets market data vendor, is offering its professional information services over the Web.

Dow Jones News Retrieval, which offers articles from 3,800 specialist publications, will be accessible by any client with internet access and a Web browser which is standard now to most machines.

Dow Jones, which in February offered its Dow Vision newspaper text service on the Web, plans later to supply real-time prices using internet technology.

While some professional information aggregators such as Maxis offer their databases over the internet, others such as Lexis-Nexis from Reed Elsevier and Profile from Ebsco still require customers to download proprietary software.

Meanwhile, one of the new start-ups in the financial information business has come closer to offering the real-time data which is the preserve of established vendors such as Reuters, Bloomberg and Dow Jones.

Quote.com, a Bay Area start-up, says it is offering a service that uses Java technology to constantly update prices and charts supplied to customers.

Although they still target individual investors rather than the traders who are the main customers of real-time financial information, Quote.com and other new entrants represent a long-term threat to the established vendors.

Dow Jones, US: tel 212 416 3782; web: http://bts.dowjones.com

IBM unveils unbreakable code plans

IBM says its cryptography researchers have developed a truly unbreakable code.

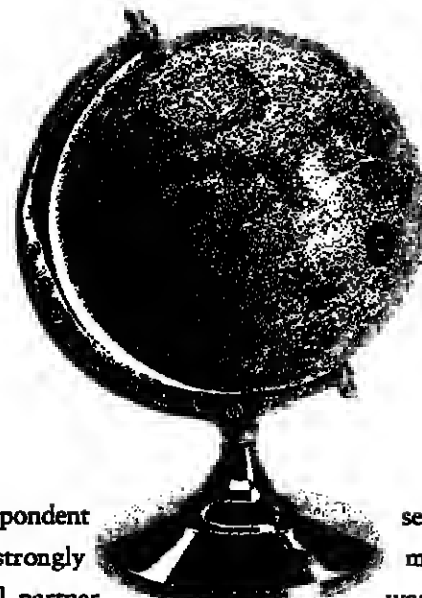
The strongest encryption technology in commercial use at present is 128 bit, which means the keys used by the sender and the recipient are each 64 characters long. A supercomputer would take years to crack a message coded in this way, but it would be possible.

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No local touch.



In search of a better correspondent in Turkish banking? We strongly recommend a truly global partner

with none of the local dissonance. The only multi-branch Turkish bank awarded long-term A rating three years in a row by Capital Intelligence. The highest rated emerging market bank by Thomson Bankwatch. The Turkish bank whose high regard among international financial community generated \$1 billion in funding facilities in 1996. The Bank that has completed several asset backed

securitization programmes with maturities 5-7 years. The Bank that was selected as the "Best Bank of Turkey" by Euromoney for 2 consecutive years.

Then again, if you think your correspondent in Turkey should also have local strength, who could be a better choice than a bank that handles 9.0% of Turkey's exports? A bank that handles 4.2% of Turkey imports. A bank whose foreign currency transactions totaled \$16.5 billion in 1996. A correspondent bank with global standards and local power.



GARANTI BANK

For further information please contact Mr. Hüsnü Akhan, Executive Vice President. 63 Büyükdere Caddesi, Maslak 80670 İstanbul/Turkey Tel, Fax: (90-212) 283 40 40 Telex: 27635 gar-tr http://www.garantibank.com.tr

COMMODITIES AND AGRICULTURE

Eramet postpones AGM until after election

By Kenneth Gooding, Mining Correspondent

Eramet, the metals group, yesterday turned the tables on the French government in the row over mining rights. Mr Yves Rambaud, whom the government is threatening to replace as chairman of Eramet, appeared to have won a tactical victory with the help of institutional investors and employees. The company said it had postponed its annual meeting at which Eramet, the state holding company which owns 55 per cent of Eramet, intended to take control of the board and replace Mr Rambaud. The meeting, scheduled for May 29, will now take place after the French general election, in which the second round of voting takes place on June 1. Eramet's board and its supporters are hoping that there will be changes in the government and pressure for Mr Rambaud's removal will be removed. Mr Rambaud has been contesting the government's move to strip his company of a nickel concession in New Caledonia, a move demanded by some nationalists in the French overseas territory. The government is backing a plan by

SMSP, a company controlled by Kanak nationalists, to build a smelter with Canadian mining group Falconbridge, using nickel from an Eramet concession. Mr Rambaud said yesterday that Eramet's three non-French directors, appointed after the group was partly privatised in 1994, had indicated they would resign if Eramet took control of the board, and most of the French directors would also quit. The non-French directors are Mr George Lowy, a New York lawyer; Mr Stig Ramel, former president of Sweden's Nobel Foundation; and Mr Wilhelm Scheider, former director of the Krupp group of Germany. "We have a strong and courageous board and most of them are not willing to stay if they are not allowed to be independent," Mr Rambaud said. Previously, two of Eramet's institutional investors, Fidelity and Templeton, which each hold about 5 per cent, warned that they might refuse to buy more shares in privatised French companies if the government forced changes at Eramet - a clear reference to the planned sale next month of a minority stake in France Telecom. Senior management resigna-

tions are also likely if Eramet takes control. Mr Michel Hamonnot, Eramet secretary-general, said yesterday the management team wanted Mr Rambaud to stay as chairman and for the strategy it had devised over the past 10 years to remain in place. If not, some would resign - or possibly be fired by Eramet. Mr Rambaud said Eramet had to postpone the meeting because there was confusion over the resolutions proposed by Eramet, which in some cases were contradictory. In addition, institutional shareholders had put forward many resolutions that needed board consideration. Many of these aim to ensure the future independence of an Eramet board. Eramet employees are also demanding three seats on the board, as required under French law for state-owned companies. Mr Rambaud said employees previously had not forced this issue but had changed tack. He said Eramet would have to call a special board meeting to prepare proposals for the annual meeting but he did not know when the board meeting would be held. Shares in Eramet closed yesterday at FF296.30, up FF3.30 or 1.1 per cent on the day.

Russian talks hit platinum, palladium

By Gary Mead

Platinum and palladium prices fell sharply in London yesterday after the Russian export agency said that long-delayed talks with Japan on exports had started.

Almaznirvirexport said deliveries of platinum group metals (PGM) "should start in the second half of June at the latest". However, some experts cast doubt on this prediction. "It finally looks like they [the Russians] might really get into gear, but it's an open question how soon they might start delivering," said one.

Mr Vitaly Berlin, director of the platinum group metals department at Almaz, said that "quantities of palladium for 1997 are sufficient enough to satisfy our clients' requirements and keep palladium prices at a reasonable level". Russia is the biggest producer of palladium, essential in some automotive catalysts and electronic equipment components, yet it has exported virtually none this year so far. This has left some organisations in Japan, the biggest consumer, struggling to cope.

Fears for the long-term Russian-Japanese relationship were being expressed yesterday.

"I'm sure the Japanese will now start talking to South Africa to increase platinum imports from there," said one London-based specialist. "As for palladium, in the short term Japan can't do much, but I'm sure they will be exploring ways of developing substitutes." The spot price in London for palladium yesterday retreated from the two-year high it achieved on Monday, falling \$3.50 an ounce to \$170; platinum also dropped, by \$7.25 to \$389.

Further setback for Foinaven oil field

By Robert Corzine and Leyla Boulton

The UK's first oil development in the deep water west of the Shetland Islands has suffered another technical setback, with first production from the country's newest oil region now unlikely for three to four months.

British Petroleum, operator of the floating production system being used to develop the field, said yesterday final pressure tests of the part resting on the seabed showed in four of 48 valves. No oil was spilled during the tests, which used water.

Foinaven, which was discovered in 1993, was designed to be a model for the "fast-track" developments which oil companies see as one of the main ways to reduce the cost of developing the relatively modest sized accumulations that are increasingly the norm for UK offshore discoveries.

It had originally been due on stream early last summer but cracks appeared in the sub-sea manifold - the steel structure that sits on the seabed and to which the flow lines and control umbilicals to individual wells are connected. The original problem resulted from an "overactive" cathodic protection system that triggered chemical reactions in the exotic steel alloy used in structure. BP said it was not clear what caused the current leaks in the manifold. "We won't know what we're dealing with until we get it to the surface," the company said yesterday.

The delay will make a big dent in this summer's expected increase in production from the UK sector of the North Sea. Foinaven output was expected to rise rapidly to an average of 95,000 barrels a day over its first year. The operation to bring the manifold back to the surface is expected to cost several million pounds and is due to begin within a few weeks.

The company also plans to recover five "Christmas trees" that prevent well blow-outs. They have valves similar to those that have leaked on the manifold. BP has been obsessive in its determination that there will be no leaks from Foinaven when production finally begins. Greenpeace, the environmental pressure group, has made Foinaven the focus of



The surface element of BP's production system being used to develop the Foinaven oil field west of the Shetlands

its latest campaign against oil developments in pristine frontier areas. This week Greenpeace urged world leaders who will gather in New York for a special UN meeting on the environment next month to commit themselves to "begin a fossil fuel phase-out" in order to fight climate change. "We're trying to close down the exploration arm of the oil majors," said Mr Marcus Rand, Greenpeace UK's climate change campaigner. The group is expected to extend its campaign against developments such as Foinaven to other new frontier areas such as the Arctic and the Indian Ocean. BP said yesterday the problems affecting Foinaven should not delay progress on its Schiehallion field, the second commercial oil development in the area. Although Schiehallion will also use a subsea production system, the design of the valves are different from those used at Foinaven. The latest delay highlights the technical problems that can arise with deep-water developments that stretch undersea technology to its limits.

Bulls boost coffee prices

By Gary Mead and Robert Corzine

The continuing strong bull market for arabica coffee futures in New York helped boost robusta coffee on the London International Financial Futures Exchange.

The benchmark July contract surged to a peak of \$1.85 a tonne - the highest since May 1996 - before quickly sliding back to \$1.82. It retreated further, to \$1.81, and closed the day at that figure, a \$40 gain.

The Life July contract has now risen by slightly more than 50 per cent since the start of 1997, though specialists point out that the gains are being driven more by technical than fundamental reasons, as supplies of robusta are plentiful.

Traders say the current frenzy is unlikely to abate before the Brazilian crop has survived the threat of possible winter frosts.

Copper had an active day's trading on the London Metal Exchange, with the three-month contract pushing strongly towards \$2,440 a tonne, a high point last reached on March 7. It initially climbed to \$2,433 after

MARKETS REPORT

the morning's "kerb" trading, but profit-taking saw it fall back to \$2,417 at the end of the afternoon's session, a rise of \$3 on the day. Other base metals were less busy. Aluminium ended the day unchanged, at \$1,670 per tonne; lead was down \$5, at \$623 a tonne; zinc improved by \$2 a tonne to \$1,337; and nickel was unmoved by reports of delays at the Russian Arctic port of Dudinka, and closed \$65 off, at \$7,770. The rally that took oil to a two-month high on Monday eased yesterday as profit-taking pushed prices downward. Brent Blend for June delivery was quoted at \$19.58 a barrel in late London trading, 14 cents down on Monday's close. Prices were softer in spite of news that Shell has been forced to cut production in Nigeria by at least 100,000 barrels a day because of the unrest in the Niger River Delta. Unlike recent similar incidents, the 10 per cent cut in Nigerian output has not caused Shell to declare force majeure on exports from its Forcados terminal. London Metal Exchange stocks data now appear daily in the prices section of the Commodities page.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 3 mths

Close 1640.5-11.5 1667-89

Previous 1651.5-2.5 1675-6

High/Low 1672-11.5 1672-11.5

AM Official 1633.5-34 1661-61.6

Kerb close 1639.70

Open int. 276,841

Total daily turnover 80,356

ALUMINIUM ALLOY (\$ per tonne)

Close 1485-500 1521-24

Previous 1500-05 1525-30

High/Low 1527-11517

AM Official 1495-500 1527-28

Kerb close 1495-500 1523-25

Open int. 5,494

Total daily turnover 1,376

LEAD (\$ per tonne)

Close 613.5-5 625-6

Previous 615-6 625-6

High/Low 625-6 625-6

AM Official 612-3 623-4

Kerb close 612-3 622-5

Open int. 36,417

Total daily turnover 4,615

NICKEL (\$ per tonne)

Close 7680-70 7760-70

Previous 7755-65 7880-70

High/Low 7680/7655 7880/7750

AM Official 7650-55 7760-65

Kerb close 7650-55 7770-75

Open int. 48,760

Total daily turnover 14,424

TIN (\$ per tonne)

Close 5670-90 5720-25

Previous 5695-55 5800-90

High/Low 5695/5695 5800/5720

AM Official 5692-95 5736-37

Kerb close 5692-95 5736-37

Open int. 15,943

Total daily turnover 4,248

ZINC, special high grade (\$ per tonne)

Close 1316-17 1335-36

Previous 1314-15 1333-34

High/Low 1329-122 1333-34

AM Official 1304-05 1325-26

Kerb close 1304-05 1337-38

Open int. 90,484

Total daily turnover 17,401

COPPER, grade A (\$ per tonne)

Close 2475-50 2419-20

Previous 2475-50 2419-20

High/Low 2475/2471 2439/2403

AM Official 2472-51 2411-12

Kerb close 2472-51 2411-12

Open int. 137,568

Total daily turnover 55,163

LME AM Official 5/5 rate: 1.8343

LME Closing 5/5 rate: 1.8320

Spot 1.8321 3 mths 1.8297 6 mths 1.8273 9 mths 1.8252

HIGH GRADE COPPER (COMEX)

Close 113.20-0.80 114.30 112.30 782 2748

Previous 113.30-1.00 114.30 112.30 751 2577

High/Low 113.30-1.00 114.30 112.30 751 2577

AM Official 113.30-1.00 114.30 112.30 751 2577

Kerb close 113.30-1.00 114.30 112.30 751 2577

Open int. 108,150

Total daily turnover 108,150

Local Lead Mean Gold Landing Rates (US \$/oz)

1 month 4.85 6 months 4.80

2 months 4.86 12 months 4.74

3 months 4.84

Silver Fix 4/20 4/20 4/20 4/20

Spot 297.00 482.50

3 months 301.20 488.50

6 months 305.50 494.50

1 year 314.00 508.20

Gold Coins \$ price 212-213

Kruggerand 346-348

Maple Leaf 61-84

New Sovereign 50-52

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Close 395.5-1.8 395.5-1.8

Previous 395.5-1.8 395.5-1.8

High/Low 395.5-1.8 395.5-1.8

AM Official 395.5-1.8 395.5-1.8

Kerb close 395.5-1.8 395.5-1.8

Open int. 17,401

Total daily turnover 17,401

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Close 391.5-0.8 391.5-0.8

Previous 391.5-0.8 391.5-0.8

High/Low 391.5-0.8 391.5-0.8

AM Official 391.5-0.8 391.5-0.8

Kerb close 391.5-0.8 391.5-0.8

Open int. 17,401

Total daily turnover 17,401

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Close 174.50-0.30 174.50-0.30

Previous 174.50-0.30 174.50-0.30

High/Low 174.50-0.30 174.50-0.30

AM Official 174.50-0.30 174.50-0.30

Kerb close 174.50-0.30 174.50-0.30

Open int. 17,401

Total daily turnover 17,401

SILVER COMEX (5,000 Troy oz; \$/troy oz)

Close 484.1-0.1 484.1-0.1

Previous 484.1-0.1 484.1-0.1

High/Low 484.1-0.1 484.1-0.1

AM Official 484.1-0.1 484.1-0.1

Kerb close 484.1-0.1 484.1-0.1

Open int. 17,401

Total daily turnover 17,401

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

Close 21.30-0.06 21.30-0.06

Previous 21.30-0.06 21.30-0.06

High/Low 21.30-0.06 21.30-0.06

AM Official 21.30-0.06 21.30-0.06

Kerb close 21.30-0.06 21.30-0.06

Open int. 17,401

Total daily turnover 17,401

CRUDE OIL ICE (5,000 barrels; \$/barrel)

Close 18.05-0.07 18.05-0.07

Previous 18.05-0.07 18.05-0.07

High/Low 18.05-0.07 18.05-0.07

AM Official 18.05-0.07 18.05-0.07

Kerb close 18.05-0.07 18.05-0.07

Open int. 17,401

Total daily turnover 17,401

CRUDE OIL WTI (5,000 barrels; \$/barrel)

Close 18.05-0.07 18.05-0.07

Previous 18.05-0.07 18.05-0.07

High/Low 18.05-0.07 18.05-0.07

AM Official 18.05-0.07 18.05-0.07

Kerb close 18.05-0.07 18.05-0.07

Open int. 17,401

Total daily turnover 17,401

GRAINS AND OIL SEEDS

WHEAT Liffe (100 tonnes; \$/tonne)

Close 90.50-0.75 91.00 90.10 80 279

Previous 90.50-0.75 91.00 90.10 80 279

High/Low 90.50-0.75 91.00 90.10 80 279

AM Official 90.50-0.75 91.00 90.10 80 279

Kerb close 90.50-0.75 91.00 90.10 80 279

Open int. 17,401

Total daily turnover 17,401

WHEAT CBOT (5,000 bushels; \$/bushel)

Close 38.00-0.40 38.00 38.00 11 243

Previous 38.00-0.40 38.00 38.00 11 243

High/Low 38.00-0.40 38.00 38.00 11 243

AM Official 38.00-0.40 38.00 38.00 11 243

Kerb close 38.00-0.40 38.00 38.00 11 243

Open int. 17,401

Total daily turnover 17,401

MAIZE CBOT (5,000 bushels; \$/bushel)

Close 29.25-0.10 29.25 29.25 11 243

Previous 29.25-0.10 29.25 29.25 11 243

High/Low 29.25-0.10 29.25 29.25 11 243

AM Official 29.25-0.10 29.25 29.25 11 243

Kerb close 29.25-0.10 29.25 29.25 11 243

Open int. 17,401

Total daily turnover 17,401

BARLEY Liffe (100 tonnes; \$/tonne)

Close 90.50-0.75 91.00 90.10 80 279

Previous 90.50-0.75 91.00 90.10 80 279

High/Low 90.50-0.75 91.00 90.10 80 279

AM Official 90.50-0.75 91.00 90.10 80 279

Kerb close 90.50-0.75 91.00 90.10 80 279

Open int. 17,401

Total daily turnover 17,401

SOYABEANS CBOT (5,000 bushels; \$/bushel)

Close 89.25-0.75 89.25 89.25 1

Offshore Funds and Insurances

● FT Cityline Unit Trust: Prices are available over the telephone. Call the FT Cityline Help Desk on 1-44 171 873 4378 for more details.

ISB RECOGNISED

[illegible]

INSURANCES

| | Boiling | Boiling | + 97 | Yield |
|--|---------|---------|------|-------|
|--|---------|---------|------|-------|

[illegible]

هكذا من العجول

FUND SERVICE Offshore Insurances and Other Funds

[illegible]

ALCOHOLIC BEVERAGES

CHEMICALS - Cont.

ENGINEERING - Cont.**EXTRACTIVE INDUSTRIES - Cont.****INSURANCE - Cont.****INVESTMENT TRUSTS - CONT.**

BANKS, RETAIL

DISTRIBUTORS

2015年12月15日

BREWERIES, PUBS & REST

American Org. _____
American 1st _____
B. _____

BUILDING & CONSTRUCTION

| | | | | | | |
|-----------------|------|-----|-----|-----|-----|-----|
| United Overseas | 74.2 | 1.2 | 1.2 | 1.2 | 1.2 | 2.0 |
| Yantai Port | 32.5 | 1.2 | 1.2 | 1.2 | 1.2 | 2.7 |

| | | | | | | |
|---------|-----|-----|-----|------|-----|-----|
| Pompa | 127 | -15 | 100 | 11.5 | 5.0 | 0.1 |
| Robicon | 127 | -15 | 100 | 11.5 | 5.0 | 0.1 |

| | | | | | |
|--------------------|-----|-----|-----|-----|----|
| Penetration & Gen. | 424 | 725 | 445 | 219 | 26 |
| Recovery | 121 | 285 | 175 | 272 | - |

City Max High Yld. 170

| | | | | | |
|---------------------|-----|-----|----|------|----|
| Sham Select | 70 | 162 | 75 | 23.5 | 18 |
| Boyer & Fennell A&A | 104 | 73 | - | - | - |

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BUILDING MATS. & MERCHANTS

| | | | | |
|--------|-----|-------|-------|-----|
| QW PFI | -2 | 191.5 | 809.2 | 8.8 |
| | 118 | 108 | 208.7 | 9.6 |

Index ————— * 30½ +2 -722 30½ 4.77 12.9 10.4

[illegible]

Warrant

| | | | | |
|--------------------------|---------|---------|---------|----|
| Stops Per Hour | 171 1/2 | 177 1/2 | 182 1/2 | 47 |
| Minimum Mileage Per Hour | 171 1/2 | 177 1/2 | 182 1/2 | 47 |

CHEMICALS

三

| | | | | | | |
|------|-----|----|-----|----|-----|------|
| SA R | 274 | 1 | 274 | 1 | 2.0 | 35.1 |
| PA R | 73 | 21 | 73 | 21 | - | - |

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 | 101 | 102 | 103 | 104 | 105 | 106 | 107 | 108 | 109 | 110 | 111 | 112 | 113 | 114 | 115 | 116 | 117 | 118 | 119 | 120 | 121 | 122 | 123 | 124 | 125 | 126 | 127 | 128 | 129 | 130 | 131 | 132 | 133 | 134 | 135 | 136 | 137 | 138 | 139 | 140 | 141 | 142 | 143 | 144 | 145 | 146 | 147 | 148 | 149 | 150 | 151 | 152 | 153 | 154 | 155 | 156 | 157 | 158 | 159 | 160 | 161 | 162 | 163 | 164 | 165 | 166 | 167 | 168 | 169 | 170 | 171 | 172 | 173 | 174 | 175 | 176 | 177 | 178 | 179 | 180 | 181 | 182 | 183 | 184 | 185 | 186 | 187 | 188 | 189 | 190 | 191 | 192 | 193 | 194 | 195 | 196 | 197 | 198 | 199 | 200 | 201 | 202 | 203 | 204 | 205 | 206 | 207 | 208 | 209 | 210 | 211 | 212 | 213 | 214 | 215 | 216 | 217 | 218 | 219 | 220 | 221 | 222 | 223 | 224 | 225 | 226 | 227 | 228 | 229 | 230 | 231 | 232 | 233 | 234 | 235 | 236 | 237 | 238 | 239 | 240 | 241 | 242 | 243 | 244 | 245 | 246 | 247 | 248 | 249 | 250 | 251 | 252 | 253 | 254 | 255 | 256 | 257 | 258 | 259 | 260 | 261 | 262 | 263 | 264 | 265 | 266 | 267 | 268 | 269 | 270 | 271 | 272 | 273 | 274 | 275 | 276 | 277 | 278 | 279 | 280 | 281 | 282 | 283 | 284 | 285 | 286 | 287 | 288 | 289 | 290 | 291 | 292 | 293 | 294 | 295 | 296 | 297 | 298 | 299 | 300 | 301 | 302 | 303 | 304 | 305 | 306 | 307 | 308 | 309 | 310 | 311 | 312 | 313 | 314 | 315 | 316 | 317 | 318 | 319 | 320 | 321 | 322 | 323 | 324 | 325 | 326 | 327 | 328 | 329 | 330 | 331 | 332 | 333 | 334 | 335 | 336 | 337 | 338 | 339 | 340 | 341 | 342 | 343 | 344 | 345 | 346 | 347 | 348 | 349 | 350 | 351 | 352 | 353 | 354 | 355 | 356 | 357 | 358 | 359 | 360 | 361 | 362 | 363 | 364 | 365 | 366 | 367 | 368 | 369 | 370 | 371 | 372 | 373 | 374 | 375 | 376 | 377 | 378 | 379 | 380 | 381 | 382 | 383 | 384 | 385 | 386 | 387 | 388 | 389 | 390 | 391 | 392 | 393 | 394 | 395 | 396 | 397 | 398 | 399 | 400 | 401 | 402 | 403 | 404 | 405 | 406 | 407 | 408 | 409 | 410 | 411 | 412 | 413 | 414 | 415 | 416 | 417 | 418 | 419 | 420 | 421 | 422 | 423 | 424 | 425 | 426 | 427 | 428 | 429 | 430 | 431 | 432 | 433 | 434 | 435 | 436 | 437 | 438 | 439 | 440 | 441 | 442 | 443 | 444 | 445 | 446 | 447 | 448 | 449 | 450 | 451 | 452 | 453 | 454 | 455 | 456 | 457 | 458 | 459 | 460 | 461 | 462 | 463 | 464 | 465 | 466 | 467 | 468 | 469 | 470 | 471 | 472 | 473 | 474 | 475 | 476 | 477 | 478 | 479 | 480 | 481 | 482 |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|

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هكذا من الأهل

LONDON STOCK EXCHANGE

New high for Footsie despite late setback

MARKET REPORT

By Philip Coggan,
Markets Editor

Shares in London rose and fell in tune with the mood on Wall Street yesterday and even some slightly encouraging domestic news failed to stop the FTSE 100 index recording its eleventh consecutive rise.

Monday's 123 point jump in the Dow Jones Industrial Average gave the UK stock market a flying start. Some of the market's higher stocks were also lifted by the renewal of takeover speculation following the announcement of the merger between Guinness

and GrandMet. Pharmaceuticals benefited from bid talk in the morning while banks made the running in the afternoon.

Footsie set its sights on a new target of 4,700 and passed it with ease. At its peak, the leading index had climbed by 50.7 points to a new all-time intra-day record of 4,720.3.

The mood changed at 11.30am, however, with the release of the Bank of England's quarterly report on inflation. Some encouraging comments from Mr Eddie George, the Bank governor, had helped UK shares on Monday.

But the report highlighted the need for further interest rate rises if the government was to

meet its inflation target in two years' time. Shares lost around a third of their gains over lunch.

The second hit came in the afternoon when the Dow Jones Industrial Average, which started the session slightly firmer, lost ground on Treasury bond weakness and was around 22 points lower at the London close.

That took the shine off Footsie's gains but the market still ended 21.4 points ahead at yet another all-time high. Smaller stocks once again failed to keep pace. The FTSE 250 edged up to 4,633.0, while the SmallCap gained only 3.8 to 2,317.8.

Against the recent trend, the gilt market was of little help to

equities. The benchmark 10-year gilt dropped by around a fifth of a point while the 20-year issue was unchanged.

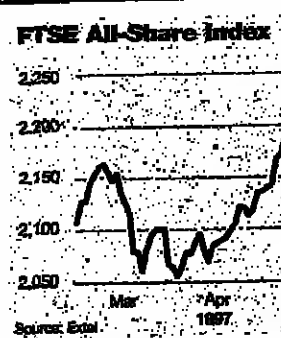
Many analysts argue that the fall in gilt yields over the last week gives support to the valuations of the equity market, despite its recent strong rise. Shares do not look expensive, compared with the last 10 years at least, on a yield ratio basis by which gilt yields are compared with the dividend yield or on an earnings yield basis.

Mr Mark Tinker at UBS raised his end-year Footsie forecast on Friday to 4,800 from 4,300. "The corporate sector is making a lot of money and distributing it to

investors, who are finding it that the return on cash is still poor and the return on gilts is falling," he says. "The UK market feels like the US did a couple of years ago. People said it must fall, but it kept going up and they were forced to chase it higher."

However, some strategists are cautious. Mr Steve Wright of Barclays de Zoete Wedd is concerned about the effect of sterling's strength and on the slow growth of corporate profits - he is expecting only 5 per cent rise in earnings this year.

Volume yesterday was 950.2m shares at the 6pm count, of which 51.7 per cent was in non-Footsie stocks.



FTSE All-Share Index

Source: Eikon

Indices and ratios

| | | |
|----------------------|--------|-------|
| FTSE 100 | 4691.0 | +21.4 |
| FTSE 250 | 4633.0 | +8.8 |
| FTSE 350 | 2271.6 | +9.0 |
| FTSE All-Share | 2230.6 | +8.5 |
| FTSE All-Share yield | 3.45 | 3.46 |

| | | |
|------------------------------|--------|-------|
| FT 30 | 3016.6 | +4.3 |
| FTSE Non-Fin p/e | 18.00 | 18.91 |
| FTSE 100 Jun | 4627.0 | +2.0 |
| 1 yr Gilt yield | 7.02 | 6.99 |
| Long gilt/equity yield ratio | 2.05 | 2.09 |

| | |
|-------------------------|------|
| Best performing sectors | |
| 1 Pharmaceuticals | +2.1 |
| 2 Oil Exploration | +1.5 |
| 3 Water | +1.5 |
| 4 Other Financial | +1.5 |
| 5 Tobacco | +1.3 |

| | |
|--------------------------|------|
| Worst performing sectors | |
| 1 Alcohol Beverages | -1.7 |
| 2 Diversified Inds | -1.2 |
| 3 Insurance | -0.8 |
| 4 Paper Pkg | -0.4 |
| 5 Telecommunications | -0.4 |

| | |
|--|--------|
| FTSE 100 INDEX FUTURES (LFFE) £25 per full index point | |
| Jun | 4688.0 |
| Sep | 4672.0 |
| Dec | 4758.0 |

| | |
|--|--------|
| FTSE 250 INDEX FUTURES (LFFE) £10 per full index point | |
| Jun | 4555.0 |
| Sep | 4555.0 |
| Dec | 4555.0 |

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| FTSE 100 INDEX OPTION (LFFE) £489.9 £10 per full index point | |
| Call | 4500 |
| Put | 4500 |

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| FTSE 100 INDEX OPTION (LFFE) £489.9 £10 per full index point | |
| Call | 4500 |
| Put | 4500 |

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Highs & Lows shown on a 52 week basis

Every major world airline flies with Rockwell Collins Avionics.



http://www.rockwell.com

| Airline | Flight | Class | Fare | Notes |
|-------------|-----------|-------|------|-----------------------|
| AFRICA | AFR 100 | Y | 1200 | Paris to Johannesburg |
| | AFR 101 | Y | 1200 | Johannesburg to Paris |
| | AFR 102 | Y | 1200 | Paris to Cape Town |
| | AFR 103 | Y | 1200 | Cape Town to Paris |
| ASIA | ANA 100 | Y | 1500 | Tokyo to Seoul |
| | ANA 101 | Y | 1500 | Seoul to Tokyo |
| | ANA 102 | Y | 1500 | Tokyo to Osaka |
| | ANA 103 | Y | 1500 | Osaka to Tokyo |
| EUROPE | BA 100 | Y | 1000 | London to New York |
| | BA 101 | Y | 1000 | New York to London |
| | BA 102 | Y | 1000 | London to Paris |
| | BA 103 | Y | 1000 | Paris to London |
| MIDDLE EAST | Qatar 100 | Y | 1800 | Doha to London |
| | Qatar 101 | Y | 1800 | London to Doha |
| | Qatar 102 | Y | 1800 | Doha to Mumbai |
| | Qatar 103 | Y | 1800 | Mumbai to Doha |

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INDICES

| 1997 | | | | | | | | | | 1997 | | | | | | | | | | 1997 | | | | | | | | | | 1997 | | | | | | | | | |
|-------------------|---------|---------|---------|-----|---------|--------|-------|------|-----|--------------------------|---------|---------|---------|---------|------------------|---------|-----|--------|-------|-------|------|-----|--------|-------|-------|------|-----|--|--|------|--|--|--|--|--|--|--|--|--|
| May 13 | May 12 | May 9 | High | Low | May 13 | May 12 | May 9 | High | Low | May 12 | May 9 | May 6 | High | Low | Stock completion | High | Low | May 12 | May 9 | May 6 | High | Low | May 12 | May 9 | May 6 | High | Low | | | | | | | | | | | | |
| Argentina (G9/97) | 2128.31 | 2128.31 | 2128.31 | 242 | 1822.37 | 21 | | | | Japan | 1300.67 | 1483.48 | 1478.04 | 1029.13 | 65 | 1329.82 | 104 | | | | | | | | | | | | | | | | | | | | | | |
| Australia | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | 2nd South Africa (G9/98) | 1782.25 | 1787.33 | 1175.43 | 1029.21 | 91 | 1918.00 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| Canada (G9/97) | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | NYSE Comp. (G9/97) | 1084.35 | 1089.52 | 1110.37 | 251.2 | 252 | 1068.91 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| France | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | Portugal | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| Germany | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | Spain | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| Italy | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | Sweden | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| Japan | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | Switzerland | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| South Korea | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | UK | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| Taiwan | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | US | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| US | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| UK | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
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| US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
| US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 135 | 2562.59 | 24 | | | | US Comp. (G9/97) | 2562.59 | 2562.59 | 2562.59 | 252 | 252 | 2562.59 | 294 | | | | | | | | | | | | | | | | | | | | | | |
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US shares see-saw to new high

St Gobain, Alcatel in lead as Paris peaks

AMERICAS

Wall Street recovered by lunchtime from a slight pause in early trading to add to Monday's record breaking performance, writes *Jane Morrison in New York*.

The Dow Jones Industrial Average rose 22.86 to 7,315.41 in spite of showing a decline for most of the morning.

Its fluctuations mirrored those of the bond market where the benchmark 30-year bond was unchanged at 96 1/4 at 1pm after first rising and then falling in the morning on conflicting economic data.

Mr Thomas van Leuven, investment strategist at J.P. Morgan, said that the equity market was more sensitive to economic data and bond market fluctuations after the first-quarter reporting season. He said that yesterday's initial fall was caused by a "little bit of profit-taking and a little bit of breath-taking", but that gains in the bond market had helped lift sentiment.

J.P. Morgan was expecting the market to take what it calls a "seventh innings stretch", during which its recent strong performance would slow down. "Over the next couple of quarters we

don't expect a whole lot more," Mr van Leuven said.

Other markets were relatively flat. The S & P 500, the more broadly based big company index, eased 0.25 to 887.81 after Monday's all-time high. A mixed performance among technology stocks helped to slightly depress the technology-driven Nasdaq composite index, down 0.38 at 1,343.81 by 1pm.

IBM was the best performing blue chip and topped its all-time high. It rose above Monday's closing 52-week high with a rise of \$4 or 2.5 per cent to \$176. After an upbeat analysts' presentation last week and the favourable publicity afforded by its computer beating of Gary Kasparov, the company also benefited from an upgrade from Goldman Sachs.

Intel was among the worst performing computer groups with a 2 per cent fall to \$155. The company is being sued over alleged patent infringement by Digital Equipment, which rose 1 1/4 to \$34.

The announcement of an agreed \$320m takeover by Tyco International, the diversified industrial group, pushed Inboard shares up 62 per cent to \$26 1/2. The offer valued the company at \$27.20 a share.

TORONTO moved lower in subdued volume. At noon, the 300 composite index was off 4.18 at 6,888.40.

Leading stocks were dull. Northern Telecom, a strong market lately, ran into clear profit-taking, losing \$1.05 to \$31.07.

Gold's steady soft with Barrick Gold retreating 55 cents to \$284.50. Among smaller stocks, Corriente Resources fell \$3.15 to \$67 after assays of a Peruvian gold project fell short of investor expectations.

Mexico City turns up

MEXICO CITY overcame early weakness to climb higher at mid-session although trading remained cautious as investors kept an eye on Wall Street. The IPC index gained 16.30 at 3,946.39.

Bancomer, which made a weak start, was 1 centavo stronger at 2.88 pesos in heavy late morning trade. Telcel also saw an early pullback after Monday's record close in peso terms. By noon, the shares were 2 centavos higher at 17.36 pesos.

Televisa, the media group,

South Africa ends mixed

Shares in Johannesburg had a mixed session, with golds continuing to edge higher in contrast to the trend among industrials where disappointing results from South African Breweries put a dent in sentiment.

At the close, the all-share index was 2.8 ahead at 7,193.1, thanks mostly to another solid-looking day for the bullion price which lifted the golds index by 7.6 to 1,275.4. Industrials came off 1.4 to 4,474.7.

South African Breweries caught the market on the hop with full-year earnings that fell some 2 per cent short of the middle range of analysts' forecasts. The shares ended R3.25 lower at R130.

Among golds, Dries gained 50 cents to R41 and Vaal Reef added R4.50 to R280 for a two-day advance of nearly 5 per cent. Western Deep Resources rose R2.00 to R129, a two-session gain closer to 9 per cent.

EUROPE

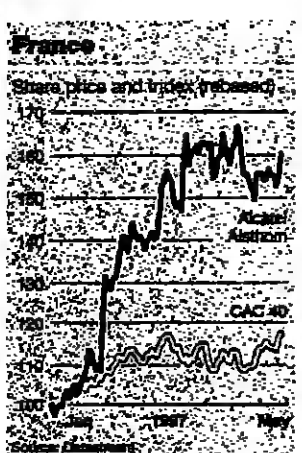
Bourses were a mixed bag as New York's overnight exuberance turned to introspection; but PARIS notched up a new all-time peak in spite of closing off the top.

Volume was 16.3m shares, the best for some weeks, and the CAC 40 index gained 28.49 at 4,719.68. Saint Gobain provided firepower, jumping Ffr38 or 4.5 per cent to Ffr580 on what was said to be a shortage of stock. There was also vague talk that the group's 6.3 per cent stake in Suez could shortly go up for sale.

Alcatel surged by nearly 5 per cent at one stage before subsiding to Ffr688, an increase of Ffr23, in 1.4m shares. There was good news on first-quarter sales and something of a buzz on the Thomson-CSF front.

Mr Serge Tchuruk, Alcatel chairman, said that any takeover of Thomson would not be earnings dilutive. He also confirmed that Dahmer Benz Aerospace would be brought into joint venture talks should his bid succeed.

Oils were also buoyant, helped by oil price strength. Total rose Ffr17 to Ffr619, and Elf Aquitaine gained Ffr7 to Ffr588 after Standard & Poor's raised its debt rating on the group from "negative" to "stable". Danone added Ffr13 to



Ffr688 ahead of tomorrow's meeting with analysts. LVMH, which will swap its 14 per cent in Guiness for 6 per cent of the enlarged group, gained Ffr4.00 to Ffr1,450 for a two-day advance of 5.2 per cent.

ZURICH saw strong demand for index stocks which took the SMI up 41.7 to 5,084.2, a second consecutive record close.

Roches certificates added Ffr175 at Ffr1,905. Novartis rose Ffr16 to Ffr1,009 as it concluded the \$100m purchase of the crop protection business of Merck of the US, and said that it would concentrate its pharmaceutical production in fewer factories in Europe.

UBS picked up Ffr34 to Ffr1,438 as the bank tried to

overcome its recent underperformance. SBC, down Ffr2 to Ffr344.50, ran into profit-taking in spite of comments by the chairman, Mr Georges Blum, that he was cautiously optimistic about the prospects for 1997.

Surveillance, the inspection and testing group, added to Monday's Ffr55 rise with another of Ffr35 to Ffr320 as Goldman Sachs upgraded the stock. Monday's rise followed news that a Swiss tax panel had ruled in favour of the company over the tax treatment of share buy-backs.

In industrials, Alusuisse soared Ffr40 to Ffr1,295 on a new round of old rumours about a possible spin-off. But Holderbank, the cement manufacturer, fell Ffr18 to Ffr1,222 on a CS First Boston downgrade.

Other all-time highs were set in MADRID, where the general index rose another 3.68 to 548.00 ahead of today's Spanish inflation data for April; in DUBLIN, where Irish financials continued to attract strong interest as investors took their lead from London, and where the ISEQ overall index closed 35.77 higher at 3,240.61; and in COPENHAGEN, an early closure, which got the best of the US influence along with strength in its own banking sector behind a KFX index

FTSE Actuaries Share Indices

| | | THE EUROPEAN SERIES | | | | | | | | | |
|---|---------|---------------------|---------|---------|---------|---------|---------|---------|-------|-------|-------|
| | | May 13 | May 12 | May 11 | May 10 | May 9 | May 8 | May 7 | May 6 | May 5 | May 4 |
| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close | | | |
| FTSE Europe 100 | 2312.07 | 2313.73 | 2314.26 | 2316.56 | 2318.20 | 2315.71 | 2315.77 | 2315.77 | | | |
| FTSE Europe 200 | 2353.61 | 2355.82 | 2358.41 | 2364.50 | 2364.88 | 2364.45 | 2363.40 | 2360.51 | | | |
| Data with 1000 EPS/1000; Higher: 100 - 2016.45, 200 - 2367.25; Lower: 100 - 2311.54, 200 - 2362.41. 1 Point = 0.1 FTSE International Index 1987. All rights reserved. | | | | | | | | | | | |
| FTSE Europe 100 | 2264.81 | 2267.77 | 2267.77 | 2268.39 | 2268.19 | 2268.19 | 2268.19 | 2268.19 | | | |
| FTSE Europe 200 | 2342.13 | 2343.46 | 2343.46 | 2343.46 | 2343.46 | 2343.46 | 2343.46 | 2343.46 | | | |

gain of 1.92 or 1.2 per cent to 183.03.

FRANKFURT tried to fly again, but the Dax index came back more than 50 points from a morning high of 3,611.10 to close 38.85 down on the day at 3,559.23.

Mr Jens Weicking, from Prof Dr von Dörf & Partners in Düsseldorf, said that there had been no fundamental news that was negative; German investors had simply thought it time to take profits in recent high flyers like Deutsche Telekom, Siemens and Volkswagen.

At Merck Finck, in Munich, Mr Jürgen Gries said the German market was now on a 1997 p/e of 19 and that while domestic investors were not willing to sell, they were disturbed by the elections in France and potential delays in European monetary union.

Turnover held up at DM14.3bn, compared with DM14.4bn on Monday. Deutsche Telekom fell DM1.33 or 3.2 per cent to DM39.80 after

its first quarter figures; early analytical comment was bullish, but Mr Weicking said that, adjusting for special factors in the first quarter of 1996, the figures were not so impressive and even slightly disappointing.

In carmakers, raised share price targets for Volkswagen, among others, reminded investors that VW had more than doubled this year and the stock fell DM3.50 to DM1,150.50; and while Siemens was upgraded to hold by HSBC James Capel, which saw increased potential for divestments and divisional restructuring after a meeting with the company, the shares fell DM2 to DM100.10.

AMSTERDAM gave up early gains in mid-afternoon to end with the AEX index off 2.05 at 786.03. Financials led the way down. Fortis Amv lost Ffr1.60 to Ffr75.40 while, ahead of tomorrow's first-quarter results, Aegon gave up Ffr1.70 to Ffr138.60.

On the upside, Philips

gained 30 cents to Ffr106.50 in 2.8m traded after Goldman Sachs upgraded the electronics giant to a "trading buy". Royal Dutch improved Ffr8.80 to Ffr384.80 in advance of today's annual meeting.

Tech stocks bounced, helped by IBM's initial surge on Wall Street. Baan jumped Ffr2.80 to Ffr117.60 and ASM Lithography rose Ffr1.90 to Ffr194.

MILAN edged higher, but in subdued trade, as sporadic profit-taking pulled the market back from its best levels. The Comit index rose 5.73 to 722.90 while the real-time Mibtel index turned back from a high of 12,393 to close 13 higher at 12,387.

Generally, the insurer, provided an early lead to higher than expected 1996 earnings and first-quarter indications, closing L900 higher at L50,656.

Unicem was suspended pending news that the Agnelli family holding company, would sell a 20.5 per cent stake to its fellow cement maker, Fratelli Bonai, for L945m, equivalent to a price of L18,800 per Unicem share compared with Monday's closing price of L12,467. IRI gained L180 to L5,285.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Hong Kong eases after nine winning sessions

ASIA PACIFIC

Profit-taking pulled HONG KONG back after nine consecutive winning sessions and the Hang Seng index finished 81.34 lower at 13,906.46. Turnover dipped to HK\$15.3bn from Monday's record HK\$18.8bn.

The index gained 1,387.88 points or 11 per cent during its nine-session rally.

HSBC, which had led the market to a series of recent record highs, gave back HK\$1 at HK\$217.

Hongkong Telecom, however, gained 10 cents to HK\$15.20 on expectations that its parent company, Cable & Wireless, might have news about its Telecom stake when it released full-year results today.

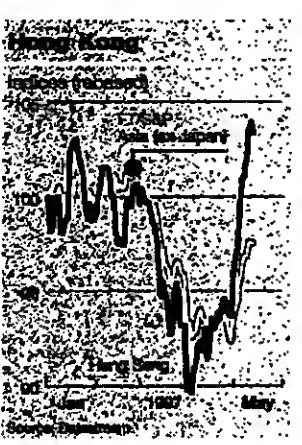
TOKYO took profits in blue chips: last minute selling of Nikkei 225 average constituents erased earlier gains and dragged the key index back from a new 1997 intra-day high although other equity indices advanced, writes *Green Robinson*.

The 235 index closed 14.40 weaker at 20,129.11, just above the level of 20,135.1 and more than 300 points below the day's high of 20,452.35.

New York's record overnight advance and the dollar's rebound to Y119 were positive influences, and foreign investors remained heavy net buyers of blue-chip electricals and domestic financials; but traders noted intermittent profit-taking by domestic institutions.

Volume swelled from 415m shares to an estimated 559m. In spite of the fall in the 235, advances led declines by 725 to 413 with 131 unchanged. The Topix index of all first-section stocks gained 7.32 to 1,900.67 and the capital-weighted Nikkei 300 was up 1.17 at 291.03.

Sony led blue-chip exporters for most of the day,



reaching a record high of Y9,980 at one stage before closing at Y9,730, up Y160. Other leading electrical and high technology issues also saw-sawed through the day to end mostly higher. Canon rose Y10 to Y3,010, TDK Y90 to Y9,040 and Pioneer Electronic Y20 to Y2,310. Car-makers, however, suffered from profit-taking with Honda down Y110 at Y3,840 and Toyota by Y70 to Y3,670.

Financials benefited from growing interest among foreign investors, who off-loaded the sector in February and March at the height of concern about the problems plaguing Japan's financial system. Industrial Bank of Japan jumped Y70 to Y1,480, Dai-ichi Kangyo Y40 to Y1,560 and Sakura Y21 to Y730.

However, Nippon Credit Bank, the most active issue for the second consecutive day, fell Y8 to Y255. And securities houses were mixed. Daiwa Securities rose Y25 to Y896 while Nomura Securities, now facing legal action on charges of illegal trading activities, fell Y20 to Y1,550.

Among domestic demand-led stocks to benefit from the dollar's recent decline against the yen, paper-makers stayed on a winning streak. Oji Paper added Y9 to

Y742 and Nippon Paper Industries rose Y26 to Y685.

In Osaka, the OSE average added 179.21 to 21,023.14 and volume rose to 25m shares.

In London, the ISE the day's index gained 4.59 at 1,595.88.

SINGAPORE saw a late rally at the end of an otherwise flat day and the Straits Times Industrial index finished 11.49 higher at 2,112.97.

City Developments warrants led the gains, rising 30 cents to \$810.70, while losers were topped by Creative Technology, down \$2.10 to \$26.90 on profit-taking.

KUALA LUMPUR saw further weakness in motor stocks in response to the strength of the yen.

The composite index

eased 3.97 to 1,094.65.

Hicom Holdings, which controls Proton, the national car maker which buys in a large proportion of its components from Japan, lost 7 cents to M\$4.88. Proton fell 10 cents to M\$13.50.

SEOUL rallied strongly in a technical rebound which saw the composite index add 11.76 or 1.8 per cent to 683.86.

Export-related shares, which stand to gain from the yen's strength against the dollar, rebounded strongly.

LG Electronics rose Won500 or 5 per cent to Won10,600, while Yukong jumped Won900 or 6.3 per cent to Won15,400.

Strong demand from US individual investors took

Daewoo Heavy Industries Won450 limit-up to Won5,890.

Hanwha Merchant Bank rose by its daily limit to Won16,400 on speculation that a court ruling could prompt an internal takeover battle between its two largest shareholders.

TAIPEI ended lower as political concerns finally got the better of a see-saw session. The weighted index eased a further 14.52 to 7,952.12.

Dealers said there was some bargain hunting after Monday's 3.7 per cent setback but that sentiment remained deeply troubled by the political row over the planned cabinet reshuffle.

BANGKOK rallied on bargain hunting. The SET, which has come down from 717 since mid-April, added 8.06 to 800.24. Most of the buying was concentrated on leading stocks. Thai Telephone rose Bt1.00 to Bt12.

SYDNEY moved higher, helped by an active banking sector. The All Ordinaries index added 9.5 to 2,834.3.

Strong results from St George's were said to have enhanced sector earnings expectations. Westpac rose 8 cents to A\$7.50 and ANZ 9 cents to A\$4.55. A profits warning sent Amcor, the paper group, skidding 18 cents lower to A\$8.45.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NetWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--------------------|----------------|----------------------|-----------|----------|----------------------|-------------|--------------------|-----------------|----------------|----------------------|-----------|----------|----------------------|-------------|-------------|-----------------|----------------|----------------------|-----------|----------|----------------------|-------------|-------------|
| Figures in parentheses show number of lines of stock | | | | | | | | | | | | | | | | | | | | | | | | |
| | MONDAY MAY 12 1997 | | | | | | | FRIIDAY MAY 8 1997 | | | | | | | | | | | | | | | | |
| | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg | Gross Yield | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg | Gross Yield | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg | Gross Yield |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| Australia (76) | 230.81 | -0.1 | 210.82 | 172.58 | 204.04 | 197.13 | -0.1 | 3.86 | 230.92 | 211.41 | 177.84 | 203.30 | 187.30 | 210.92 | 188.44 | 206.59 | | | | | | | | |
| Austria (24) | 192.22 | 0.8 | 176.40 | 143.97 | 169.82 | 169.87 | 1.2 | 1.87 | 190.78 | 174.68 | 146.78 | 187.96 | 157.01 | 170.04 | 174.70 | 185.81 | | | | | | | | |
| Belgium (29) | 224.80 | 0.4 | 225.84 | 195.46 | 214.30 | 214.30 | 0.6 | 3.34 | 244.82 | 225.78 | 198.27 | 217.12 | 218.93 | 240.00 | 206.08 | 208.99 | | | | | | | | |
| Brazil (3) | 255.48 | 1.4 | 254.04 | 192.11 | 226.73 | 203.63 | 1.4 | 1.48 | 253.07 | 211.88 | 194.69 | 222.76 | 205.98 | 256.48 | 182.25 | 182.25 | | | | | | | | |
| Canada (113) | 189.89 | 0.7 | 182.40 | 148.72 | 178.70 | 201.16 | 0.7 | 1.94 | 188.59 | 161.81 | 147.34 | 177.34 | 182.11 | 181.81 | 161.81 | 161.81 | | | | | | | | |
| Denmark (23) | 275.37 | 0.3 | 242.54 | 291.16 | 331.84 | 330.62 | 0.8 | 1.59 | 274.08 | 242.47 | 287.77 | 329.33 | 328.98 | 278.99 | 281.29 | 285.39 | | | | | | | | |
| Finland (28) | 264.30 | -0.8 | 241.70 | 188.64 | 234.20 | 235.76 | -0.5 | 1.80 | 266.97 | 244.41 | 205.37 | 233.03 | 238.66 | 268.88 | 185.21 | 187.10 | | | | | | | | |
| France (91) | 224.94 | 1.5 | 205.17 | 188.41 | 198.76 | 202.16 | 2.0 | 2.82 | 221.18 | 202.49 | 170.15 | 184.73 | 198.22 | 220.25 | 188.94 | 185.92 | | | | | | | | |
| Germany (59) | 210.98 | -0.1 | 192.45 | 157.95 | 186.42 | 186.42 | 0.4 | 1.52 | 210.98 | 192.16 | 158.31 | 181.81 | 181.81 | 181.81 | 181.81 | 181.81 | | | | | | | | |
| Hong Kong (69) | 485.98 | 0.3 | 452.50 | 371.50 | 438.48 | 483.12 | 0.3 | 3.07 | 484.40 | 432.82 | 383.33 | 435.26 | 481.91 | 514.48 | 407.55 | 416.91 | | | | | | | | |
| Indonesia (27) | 238.89 | 0.9 | 210.00 | 178.52 | 211.16 | 355.88 | 0.5 | 1.54 | 238.89 | 210.73 | 181.12 | 208.41 | 357.70 | | | | | | | | | | | |
| Ireland (1) | 342.96 | 0.2 | 312.97 | 266.90 | 303.15 | 318.67 | 0.2 | 3.00 | 342.96 | 313.32 | 263.28 | 301.30 | 317.80 | 343.35 | 270.08 | 278.02 | | | | | | | | |
| Italy (59) | 288.48 | 0.1 | 281.85 | 267.02 | 278.10 | 112.70 | 0.6 | 2.21 | 288.48 | 278.10 | 267.02 | 112.70 | 73.25 | 288.48 | 278.10 | 267.02 | | | | | | | | |
| Japan (469) | 128.28 | 3.7 | 117.87 | 85.84 | 114.29 | 95.84 | 1.0 | 0.91 | 124.85 | 114.11 | 95.08 | 106.74 | 95.88 | 129.23 | 107.17 | 107.17 | | | | | | | | |
| Malaysia (17) | 332.32 | -2.2 | 485.94 | 360.87 | 470.76 | 515.00 | -2.0 | 1.28 | 344.42 | 488.43 | 418.81 | 473.20 | 325.78 | 600.85 | 512.47 | 567.65 | | | | | | | | |
| Mexico (27) | 1404.57 | 1.4 | 1281.71 | 1022.05 | 1241.68 | 1217.07 | 1.7 | 1.18 | 1388.25 | 1282.15 | 1055.85 | 1215.94 | 970.54 | 1443.99 | 1110.33 | 1248.92 | | | | | | | | |
| Netherlands (19) | 388.75 | 0.6 | 338.50 | 278.20 | 325.08 | 321.83 | 1.0 | 2.43 | 388.75 | 325.08 | 278.20 | 321.83 | 325.08 | 388.75 | 325.08 | 278.20 | | | | | | | | |
| New Zealand (14) | 67.32 | 0.6 | 79.38 | 65.95 | 77.37 | 66.80 | -0.6 | 4.35 | 68.67 | 79.38 | 68.00 | 75.56 | 67.50 | 75.56 | 73.94 | 82.02 | | | | | | | | |
| Norway (11) | 300.67 | -0.3 | 274.28 | 228.18 | 285.71 | 309.35 | 0.4 | 2.13 | 301.40 | 274.28 | 219.81 | 263.88 | 288.20 | 321.23 | 243.72 | 345.04 | | | | | | | | |
| Philippines (22) | 159.02 | 0.0 | 145.11 | 118.11 | 140.69 | 209.00 | -0.0 | 0.89 | 159.02 | 145.11 | 122.34 | 140.01 | 209.00 | | | | | | | | | | | |
| Singapore (42) | 388.59 | -3.2 | 383.72 | 288.55 | 382.96 | 283.28 | 2.8 | 1.07 | 388.14 | 333.51 | 297.35 | 338.68 | 348.01 | 361.07 | 307.08 | 423.02 | | | | | | | | |
| South Africa (4) | 382.49 | -0.0 | 330.76 | 271.51 | 320.45 | 333.48 | 0.0 | 2.39 | 382.50 | 331.87 | 276.96 | 319.14 | 333.33 | 370.12 | 301.49 | 357.09 | | | | | | | | |
| Spain (35) | 247.22 | 2.1 | 225.59 | 195.17 | 215.54 | 268.40 | 2.5 | 2.43 | 242.07 | 221.61 | 198.22 | 211.91 | 212.95 | 242.28 | 171.91 | 177.91 | | | | | | | | |
| Sweden (48) | 440.96 | -0.1 | 402.41 | 330.31 | 389.84 | 401.72 | 0.0 | 2.08 | 441.38 | 404.07 | 339.83 | 388.87 | 401.54 | 449.64 | 364.34 | 345.94 | | | | | | | | |
| Switzerland (38) | 284.04 | 0.2 | 258.20 | 212.75 | 251.10 | 292.80 | 0.7 | 1.33 | 283.51 | 268.55 | 210.10 | 242.10 | 292.80 | 284.04 | 212.75 | 212.75 | | | | | | | | |
| Thailand (43) | 86.40 | -2.6 | 80.38 | 48.73 | 88.70 | 86.80 | -2.8 | 4.87 | 88.18 | 82.42 | 48.43 | 60.02 | 86.74 | 194.16 | 66.40 | 134.94 | | | | | | | | |
| United Kingdom (211) | 278.48 | 1.0 | 273.28 | 224.32 | 264.75 | 273.29 | 0.7 | 3.01 | 281.40 | 271.33 | 228.01 | 260.68 | 273.29 | 288.48 | 228.25 | 232.40 | | | | | | | | |
| USA (582) | 338.74 | 1.5 | 308.11 | 253.72 | 298.45 | 338.74 | 1.5 | 1.80 | 333.81 | 305.80 | 250.85 | 293.64 | 338.74 | 338.74 | 274.74 | 265.97 | | | | | | | | |
| Americas (523) | 309.38 | 1.4 | 282.80 | 251.87 | 273.77 | 280.88 | 1.4 | 1.79 | 305.81 | 278.51 | 234.87 | 268.78 | 257.16 | 306.89 | 233.09 | 243.20 | | | | | | | | |
| Europe (230) | 278.51 | 0.7 | 238.69 | 194.28 | 229.23 | 239.69 | 0.8 | 2.54 | 277.47 | 235.71 | 190.67 | 226.67 | 237.86 | 259.81 | 204.71 | 207.80 | | | | | | | | |
| Nordic (150) | 380.85 | -0.1 | 347.83 | 285.34 | 330.77 | 374.84 | 0.1 | 1.83 | 381.40 | 348.25 | 284.97 | 335.85 | 368.02 | 365.65 | 287.19 | 298.18 | | | | | | | | |
| World Excl. Pacific (862) | 290.89 | 0.2 | 254.10 | 194.10 | 221.10 | 254.10 | 0.2 | 2.14 | 291.40 | 254.10 | 194.10 | 221.10 | 254.10 | 290.89 | 194.10 | 194.10 | | | | | | | | |
| Europe Pacific (160) | 167.22 | 1.77 | 145.46 | 117.88 | 129.27 | 167.22 | 0.6 | 2.04 | 171.10 | 145.46 | 117.88 | 129.27 | 167.22 | 145.46 | 117.88 | 129.27 | | | | | | | | |
| North America (759) | 330.20 | 1.4 | 301.32 | 247.33 | 281.80 | 329.62 | 1.4 | 1.80 | 325.82 | 296.00 | 230.22 | 266.58 | 324.94 | 330.20 | 246.66 | 259.58 | | | | | | | | |
| Europe Ex. UK (514) | 232.07 | 0.5 | 211.77 | 173.85 | 205.18 | 216.38 | 0.6 | 2.08 | 230.85 | 211.31 | 173.85 | 205.18 | 216.38 | 232.07 | 185.85 | 189.88 | | | | | | | | |
| World Excl. Japan (307) | 205.05 | -0.6 | 178.38 | 228.80 | 209.88 | 265.35 | -0.1 | 2.78 | 205.05 | 178.38 | 228.80 | 209.88 | 265.35 | 205.05 | 178.38 | 228.80 | | | | | | | | |
| World Excl. Japan Excl. UK (181) | 167.22 | 1.77 | 145.46 | 117.88 | 129.27 | 167.22 | 0.6 | 2.04 | 171.10 | 145.46 | 117.88 | 129.27 | 167.22 | 145.46 | 117.88 | 129.27 | | | | | | | | |
| World Ex. UK (2262) | 236.94 | 0.8 | 216.22 | 177.77 | 208.48 | 209.33 | 0.7 | 2.86 | 236.94 | 216.22 | 177.77 | 208.48 | 209.33 | 236.94 | 216.22 | 177.77 | | | | | | | | |
| World Ex. Japan (1988) | 300.94 | 1.1 | 274.07 | 224.06 | 265.50 | 290.00 | 1.1 | 2.14 | 297.10 | 274.07 | 224.06 | 265.50 | 290.00 | 300.94 | 274.07 | 224.06 | | | | | | | | |
| W. Hemisphere (10479) | 340.32 | 1.5 | 321.00 | 252.45 | 285.42 | 341.44 | 1.5 | 1.80 | 336.00 | 321.00 | 252.45 | 285.42 | 341.44 | 340.32 | 252.45 | 285.42 | | | | | | | | |